



UNDRESSING DAME EDNA

The confessions of Barry Humphries

Life & Times, page 1



THE VAMP STRIKES BACK

Tomorrow a 28-page Fashion Review

Saturday Review



HEALTH FOR MEN

Life, love and the prostate

Life & Times, page 5

Major and cabinet defend 'courage and common sense' of Chancellor

Defiant Lamont shrugs off calls to resign over ERM

BY PHILIP WEBSTER
CHIEF POLITICAL CORRESPONDENT

A DEFIANT Norman Lamont was last night intent on riding out the storm created by his decision to float the pound.

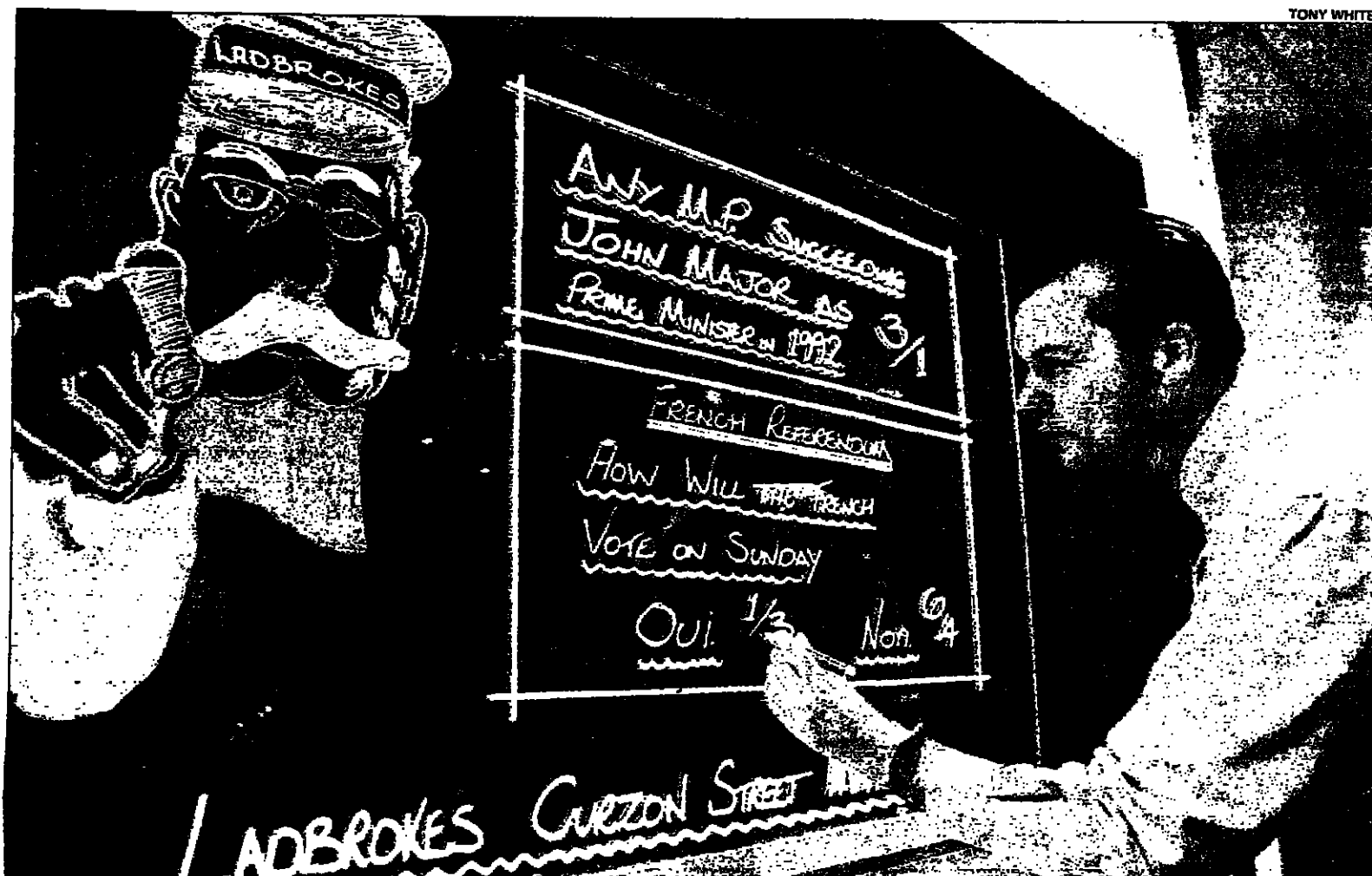
In a counter-offensive against his critics in the Conservative party, the country and the press, the embattled Chancellor of the Exchequer gave a series of television interviews in which he insisted that he had no intention of resigning.

On a day in which interest rates were cut back to 10 per cent, the rate at which they stood before Wednesday's extraordinary chain of events, John Major appeared to have secured Mr Lamont's immediate future by giving him strong public backing and by winning the unanimous endorsement of the cabinet for his action in pulling the pound out of the European exchange-rate mechanism.

With Tory MPs saying that Mr Lamont's credibility had taken a battering, uncertainty remained over his long-term future. He could yet go when the present crisis has abated. Defending his actions last night, Mr Lamont said his decision to abandon the defence of the pound was "simple commonsense in the face of a whirlwind".

The pound fell to DM2.6323 yesterday, an effective devaluation of 11 per cent, and there was more gloomy economic news, with unemployment rising by 47,000 in August, nearly twice the expected increase. However, the prime minister told a three-hour emergency cabinet meeting that Mr Lamont must not be made the scapegoat for the decision to abandon a central plank of the government's economic policy and he insisted that the battle against inflation would remain the cornerstone of the government's strategy.

To underline that point, Downing Street and the Chancellor said that Britain



City speculation: odds on offer at a London betting shop yesterday for a possible successor to John Major and for the French referendum

would resume membership of the European exchange-rate mechanism "as soon as conditions allow". The government's formula deliberately left open the timing of a possible return. Senior cabinet ministers disclosed last night that the government had no intention of going back into the mechanism until the markets had calmed and the fundamental problem of high German interest rates had been resolved.

There is unrelenting anger in Downing Street at the recent behaviour of the Bundesbank and its failure to take account of the impact of its actions on other countries within the monetary system. Mr Lamont said last night:

"Nobody could have expected to do more. We might have got on a little better if we had a little more international co-operation."

It appears that some ministers still hope other countries will follow Britain's lead in suspending membership, as Italy has done. Such a development would lead to a reform of the system. Any early move to return to the ERM would provoke a substantial revolt among Conservative MPs who were clearly relieved yesterday that the government had been forced to cut loose from what they had regarded as an increasingly unsustainable policy.

There is a growing clamour on the Tory benches for ministers to use the opportunity created by Britain's withdrawal to cut interest rates and to take measures in the currency to help the economy out of recession.

Downing Street sources said after the cabinet meeting that the government would continue to set monetary and fiscal policy with the key objective of bringing inflation down — a further hint that this year's public spending round will be tighter than ever. "We are not seeking to achieve a particular rate in the very exceptional and turbulent market circumstances," they said.

Mr Lamont's immediate future appeared to be safe after the rallying operation

led by Mr Major on his behalf. The prime minister told the cabinet that Mr Lamont had acted with speed and courage. The Chancellor "should not be seen as an air raid shelter", he said in a remark meaning that Mr Lamont alone should not take all the criticism for a policy supported by the full cabinet. Every member of the cabinet then declared their backing for Mr Lamont, who will wind up next Thursday's Commons debate on page 18, col 4

France and Italy seek EC summit

FROM GEORGE BROCK IN BRUSSELS

ITALY yesterday called for a summit of European Community leaders to be held soon after Sunday's French referendum so that they can restore order to the financial markets. Pierre Bérégovoy, the French prime minister, backed the call. Because Britain holds the EC presidency, any summit would probably be in London.

Emilio Colombo, the Italian foreign minister, said a high-level EC meeting would be needed to consider the French result and to "restore immediate monetary discipline as quickly as possible". Later yesterday the Italian Senate ratified the Maastricht treaty.

European Commission officials spent the day trying to calm the markets after a meeting of the EC monetary committee confirmed the suspension of the pound and the lira from the ERM and devaluation of the peseta. The Bank of Italy closed its foreign exchange markets until after the French referendum.

"The ERM remains a very Continued on page 18, col 2

One by one, the currencies tumble

BY GEORGE SIVELL

LIKE the ten green bottles hanging on the wall, the members of the European exchange-rate mechanism are being picked off one by one after 13 years of relative calm in the system intended to bring stable currencies.

Maybe it is a sign of things to come that the Reuters screens which show the European monetary system were blank yesterday (the software was still coping with this week's momentous events). Market movements show there is a big question mark over the future of the ERM.

The foreign exchange dealers have been able to move with quite astonishing speed against the ERM even before the French referendum. With the pound and lira out of the firing line, and the peseta comfortably devalued, the dealers yesterday turned on the next weakest currencies in the grid.

Down came the Irish punt, guilty by association with the pound, and down came the Danish crown, guilty by association with the other unfortunate Scandinavians — and by their rejection of the Maastricht treaty. This is bad news for the Irish and Danes who

have striven to bring their economies into line with the European ideal. The Portuguese escudo, guilty by association with the peseta, is next in line and from Lisbon came word that it too would devalue if the peseta devaluation proved more than temporary.

However, the most telling of yesterday's targets was the French franc, which fell near its ERM floor from Fr3.388 to Fr3.42. Of the ten ERM currencies only the German mark, the Dutch guilder and the Belgian franc remained secure.

One currency trader said: "After years of stability the

ERM is in uncharted territory. Rules and parameters are being much more closely questioned by the markets. It could be very messy."

The Euro-faithful rallied to defend the system, the embryo of the single European currency envisaged by the Maastricht treaty. No less a person than Jacques Delors, the president of the European Commission, pleaded, realistically: "Let's not ask more of the European monetary system than it can provide." But he went on to predict a healthy future for it.

But if one green bottle should accidentally fall...

Briton dies saving girl friend from grizzly

BY HARVEY ELLIOTT

TREVOR Percy-Lancaster, one of Hampshire's best-known and most popular artists, was clawed to death by a grizzly bear as he struggled to save his woman friend from the enraged animal.

Mr Percy-Lancaster, 46, and his companion, Cheryl Reksien, 45, had disturbed a 312lb bear on a remote, snow-covered trail in the Canadian Rockies. As the bear turned on them, rearing on its hind legs and waving its razor-sharp claws, Miss Reksien, instead of lying motionless — which experts say is enough to prevent an attack — fled and tried to climb a tree.

The bear chased her, pulled her to the ground by her hiking boots and tore at her scalp and back as she frantically tried to escape. Mr Percy-Lancaster waved his arms and hit the bear in an attempt to drive it away. It turned on him, savaging his back, arms and face.

Another camper ran five miles to the nearest park ward station. Wardens, arriving by helicopter, found Miss Reksien had staggered several miles from the scene of the attack: she was taken to hospital in Edmonton where last night she was said to be stable.

The wardens, who followed the bear's tracks in the snow, shot it dead when it suddenly loomed out of the woods to attack them. The carcass was being examined for signs of rabies.

Last night friends spoke in horrified admiration of the quiet cycling and hiking enthusiast, Emily Farrar, who lived in the same block of flats as art lecturer Mr Percy-Lancaster in Milland Road, Winchester, said: "He was deeply in love with his girl friend. They did everything together. He was a very kind, friendly person and it is typical of him to give up his life for her."

Gerry Israelson, a park spokesman, said that the actions of Mr Percy-Lan-

caster probably saved his companion's life. "It appears that because of the noise from a nearby stream and the direction in which the wind was blowing, the couple and the bear startled each other. You shouldn't run, nor should you climb a tree. What you should do is lie down and play dead," he said.

As wardens searched for other bears which might also have moved down into the area from their normal feeding grounds, the park was closed and 15 hikers were airlifted to safety.

Nick Lindsay, curator of Whipsnade wild animal park, said of grizzlies last night: "They are omnivores and although they prefer berries, fruit and roots, they will also eat fish, meat or small mammals. Most of all they are natural scavengers. Many have been fed by picnickers and they therefore come looking for it, then get aggressive if they don't get it."



Percy-Lancaster: clawed to death

INSIDE

Botulism in cooked pork

The public was advised yesterday not to eat batches of cooked pork, distributed by a Cambridgeshire firm, as stringent tests revealed traces of botulism. Supermarkets removed packets of pork from shelves. Page 5

Exam results

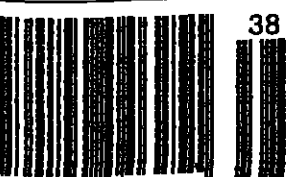
The Institute of Chartered Accountants' PE11 June results will be published tomorrow. Copies will be on sale tonight from 10pm at main London stations.

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Money turmoil leaves blueprint for European unity in tatters



Hurd: co-operation even if treaty fails

THIS week's currency turmoil has created cracks not only in the exchange-rate mechanism but also in the entire Maastricht treaty. Without its timetables for a European central bank and a single currency, the treaty does not account for much.

Jacques Delors, president of the European Commission and author of the monetary union plan, was one of the first people to mutter about the long-term political effects of market turbulence in July, long before such fears became widespread. The chaotic warfare fought across Europe's financial markets over the past fortnight is, fundamentally, a conflict between politics and economics. Bankers and politicians are fighting over the soul of post-Cold War Europe.

Politicians now have to turn their

minds to what they want to salvage from Maastricht. Few of them believe that the treaty will come into force exactly as it is now written, whichever way France votes in its referendum on Sunday.

Douglas Hurd, a leading exponent of variable geometry, is playing a central role in the debate on what to salvage. As current president of the Council of Ministers, he will speak for the European Community on the morning after the French result.

He has long been a prominent advocate of Britain's membership of the ERM, believing that the government could afford to remain semi-detached from monetary union but not from the EC's exchange-rate scheme.

As yet sensing the rising hostility to the ERM in his own party,

BEYOND MAASTRICHT

The idea of a monolithic Community with common policies on most issues has been dealt a serious blow, George Brock writes

Mr Hurd has recently been laying heavy stress on non-economic European issues such as Community immigration policies and underlining that co-operation will continue even if Maastricht collapses.

But monetary union has always been the most painful of Britain's dilemmas. If a currency zone becomes the core of a reshaped Community, can Britain afford to stay outside? M. Delors, true to his original vision, still believes that the

exchange rate crisis only serves to underline the vital importance of a single currency. Only the discipline of one money will protect Europeans from this turmoil, he said on French radio yesterday, adding that the ERM was never supposed to be a "miracle cure". But under M. Delors, the ERM has almost become a vehicle for monetary union.

Some French policymakers are toying with the idea of a faster, smaller monetary club if the treaty

should be rejected. Germany might then join France, the Benelux countries and Denmark in a single currency. All these states trade heavily with Germany, and within the narrow bands of the ERM they already form a *de facto* mark zone.

The suggestion that sceptical Denmark, of all countries, might be part of such a core group might appear paradoxical. But then, in accordance with the variable geometry concept, different versions of European integration are likely to emerge from the ERM upheaval and the wreckage of Maastricht's ambitions.

Denmark is not only the tiny country that turned down the treaty in its referendum; it is also one of the three economies in the EC — and there are only three — which now meet the treaty's tough criteria

for joining a monetary union. In other words, the concept of a monolithic EC with common policies on almost everything, from monetary affairs to defence, has suffered a serious blow. The Community, whether in its present form or enlarged by Scandinavian and Alpine states, may be able to deepen its integration in some areas, but only by leaving several members out.

The once-fashionable idea of a "two-speed" Europe is giving way to a series of clubs with varying memberships and varied degrees of integration. In the words of one EC diplomat: "The Community faces a choice between a try at another treaty, a kind of Maastricht II, or something more like a series of concentric rings — a Europe of three or four speeds."

Major must struggle to restore his damaged credit rating

By Robin Oakley

JOHN Major now has to restore stability not only to the pound but to a party that has been shocked to its core and which suspects there is truth in Gordon Brown's accusation that it has destroyed any reputation it might have had for economic competence.

Four years short of an election, Mr Major is in no danger of overthrow. If Labour were unwise enough to stage a vote of no confidence the Tory party would back the prime minister, probably to a man. But much of his credit has been exhausted by the folly of investing every jot of prime ministerial credibility in defending a particular exchange rate for the pound and losing.

The shadow of Baroness Thatcher has grown once more and the fact that the most vociferous critics of the ERM are also leaders of the anti-Maastricht movement can only increase the government's difficulties.

Tory MPs will have noted that the opinion poll verdict on Mr Major, who began as the most popular post-war prime minister, sank from a rating of plus 18 after the election to only plus 1 last month. It will

almost certainly move into a minus rating this month.

Much depends now on the French referendum on Maastricht. If the verdict is "non" then no one knows how much chaos will ensue in what is left of the ERM. Some ministers believe that the pound may now have been fully discounted and would suffer no further while other currencies took the strain and the whole mechanism was seen to unravel. In that case Britain would look

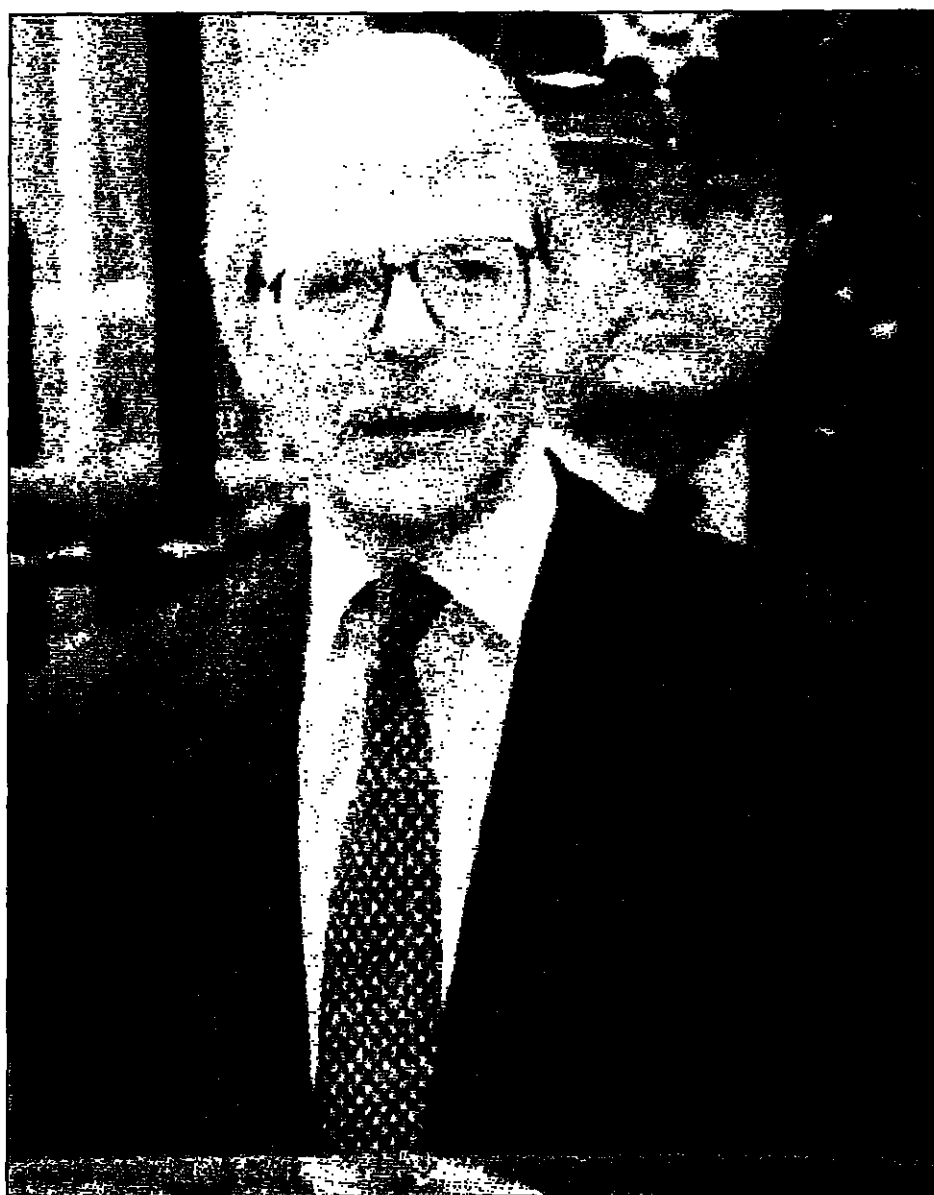
less isolated. Mr Major has already said that a French no will kill the treaty and that the bill to ratify it would be withdrawn from the Commons. He would no longer have to attempt with lesser authority what he had already conceded would be a "bruising passage" for the bill.

The real problems come with a yes vote in France. Mr Major will then feel obliged to reintroduce a bill he would be by no means certain of seeing through; and its uncertain prospects would add to nervousness in the markets.

Meanwhile the agony of what to do with the economy remains. Allies and opponents alike say that Mr Major has to look very carefully at his party now to decide whether he can afford to limp to port patched up and still under the European flag or whether he should cut loose, trim interest rates and start trying to lift Britain out of recession with an economy to suit the currency markets.

If he decides to go for it, with a new Chancellor, the chances are that the party would regroup and turn a blind eye to a little loosening of inflation. But if there is one thing on which Mr Major is a fanatic, those close to him say, it is his crusade against inflation. Abandonment of that would come harder than anything and some ministers believe that if his party insists on a more expansionist economy then the prime minister might say that they will have to manage without him.

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Grim outlook: Mr Major leaving 10 Downing Street yesterday after chairing an emergency meeting of the cabinet, which discussed the financial crisis

Opinion hardens against return to the ERM

By Nicholas Wood, Political Correspondent

LEADING Conservatives signalled their determination to resist any early attempt by the government to take Britain back into the European exchange-rate mechanism.

They issued their warning after the cabinet agreed that Britain would rejoin the ERM "as soon as conditions allow".

Opinion was hardening on the Tory benches that the government could not risk another humiliation at the hands of the markets and a forced withdrawal from the ERM. The chorus was led by Lord Tebbit, the former Tory party chairman, who said it would be "deeply depressing" if the government really intended to go back into the ERM once the turmoil in the markets subsided.

At the same time, the anti-Maastricht Conservative European Reform Group, which claims a membership of 85 backbenchers, wrote to John Major demanding a debate and vote in Parliament before any move was made to rejoin the currency grid.

The form of words agreed by the cabinet was reminiscent of Margaret Thatcher's initial promise to join the ERM "when the time is right". That attempt to paper over minis-

trial differences delayed entry for several years and there were strong suggestions yesterday that the latest position was no more than a figleaf to cover the government's embarrassment at having to abandon the central plank of its economic policy.

One minister said: "I am not surprised they said that. I would be surprised if they meant it." Another senior Tory, with good links to Downing Street, pointed out that with the French referendum on Sunday, the ERM might cease to exist next week. Committed pro-Europeans tended yesterday to keep their heads down, suggesting that

the main lesson of the turmoil of the past 24 hours was the need to move quickly towards a single currency, which would eliminate the possibility of such upheavals.

However, Sir Peter Hordern, chairman of the backbench European affairs committee, said that in the longer term the government should go back into the ERM at a lower rate for the pound. That was the only way to get back to the 5½ per cent long-term interest rates of the early 1960s.

The anti-federalists were again in full cry. While they drew satisfaction from the government's decision to suspend Britain's membership of the ERM, cut interest rates by 2 per cent and float the pound, they were troubled by the cabinet's hint that Britain might rejoin before long. "Never again" was the message from most Tory MPs.

Although Mr Lamont won praise for his speed and courage and the unanimous backing of the cabinet, the Chancellor remained under intense pressure with renewed calls for his resignation. Lord Tebbit said: "It is the ERM which converted government success in dealing with inflation into a disaster. There is no future in fixed exchange rates. The Chancellor should do what he always knew was right — float the pound."

Other Tories were worried that in the absence of the ERM the government's anti-inflationary strategy lacked credibility. Bernard Jenkins, Tory MP for Colchester North and one of the many Eurosceptics among the new intake, said the government should revive the monetarist policies of the early 1980s, which had defeated inflation.

Why former health minister was chosen to apply balm to wounds

SIR Norman Fowler, Conservative party chairman, took on an extra role as head of the damage limitation squad, to which he was swiftly appointed as the Major government was engulfed in its greatest crisis (Robin Oakley writes).

Once Downing Street had settled its diversionary tactic — blame the Germans — and decided to try to keep the Chancellor, Sir Norman was made available to television news bulletins. Impeccably turned out and soothingly bland, he did the round of the studios all Wednesday night and Thursday morning.

The government was there to take decisions and had taken brave ones, he insisted, with the assurance of one who would have argued that the Titanic had been designed as an underwater exploration vessel.

As party chairman, and having left the Thatcher cabinet in its latter days, Sir Norman was distant enough from departmental responsibility for the economic disaster for his appearance not to raise



instant questions. His detachment as party apparatchik gave him greater freedom to shore up Norman Lamont's crumbling position by saying that it was all the fault of the Germans, that the finger of blame should point at Professor Helmut Schlesinger, president of the Bundesbank.

Sir Norman, reputed in his ministerial days to have been slow to make up his mind but brilliant at selling the decision, once made, had shown his capacity for keeping down the temperature when health secretary, a brief that has scarcely been out of the mire of controversy since.

In those days he had one John Major as a junior minister and the friendship they struck up then has endured even though Sir Norman held to an earlier promise to back Michael Heseltine in the leadership campaign.

It has been rumoured that

Sir Norman, once a home affairs correspondent for *The Times* would like to crown his political career with the office of home secretary. He did not get that job after the election and even though the fall out from the current crisis may create a vacancy there it is unlikely to be offered to him.

In its current state of crisis and approaching what will be an extraordinarily troubled party conference, the Conservatives will need the experienced soother of brows to remain in charge at Smith Square.

The NCOs in the damage limitation squad, sent out to wriggle on the government's behalf under interviewers' probing, were Tim Smith, MP for Beaconsfield and a Central Office fund-raiser, and John Wans, the deep baritone chairman of the Commons Treasury committee.

Having borne the stripes of their seniors through the crisis, they will surely receive their reward in due course, provided there is some Tory party silver left to inherit.

Dealers dig in for another day's chaos

IN THE MARKETPLACE

Kate Alderson joins the sharp-witted decision makers who ply their lucrative trade in the City's dealing rooms

TENSION mounted in the dealing room of Smith New Court stockbrokers yesterday as the 8.30am opening of the markets approached. The market makers were bracing themselves for another volatile day of trading in UK equities.

"After a night of speculation over interest rates and the devaluation of the pound, it's all utter confusion," one dealer shouted as he ran to one of five flashing computer screens. "What the hell are our advisers meant to tell people — to buy or sell? It's chaos, utter chaos."

There was frenzied shouting and sprinting across the room as scores of dealers in striped shirts and sharp haircuts expressed euphoria at the FTSE Index opening 100 up on Wednesday's close of business.

At 9.30am rates were cut to 10 per cent and a chorus of nervous laughter was followed by computers flashing blue, green and red. "Listen lads," said a senior dealer

with a grin, a telephone in one hand and a wagging finger pointed at his junior colleagues. "We've got to think about where we were in the beginning, because now we haven't gone anywhere." Glued to their screens, a few of them managed a half-hearted smile.

Dealers jumped up and down from their seats, two phones clamped to their faces, frantically buying shares as their value went down.

After 20 sweaty minutes the atmosphere had calmed. "This has been the most difficult morning of my life," Justin Law, a market maker in paper and packaging, said. John Surridge, 29, a market maker in utilities, said: "It's

just like after the general election today — prices are all over the place. I sometimes wonder why I do this but to be honest it's in the blood. It can be the worst job in the world, and then some days it can be the best."

Many of the 100 market makers are from east London or Essex and began their working life in the City at 17, with no knowledge of the markets. They learnt on the job and moved up the career ladder until they became dealers and began to earn big salaries.

"The money is a huge attraction," said Jonathan Christie, a market maker in engineering and manufacturing. "But it's a cut-throat business. If you don't cut it

then you are out. You have to be sharp."

The rewards for making split-second decisions and reacting instantly to movements in the markets are not only a large basic salary, but a bonus calculated at the end of the year that can cover the price of a new Porsche. But no one at Smith New Court would say how much they had earned this week.

"Put it this way, I think I earn my money on days like this," said Steve Curry, 29, a market maker in banks and a former electrician. "Today's a very different day, very exciting. I'm a bit short, we all are, but it's still exciting. It's early days yet and we've still got the French referendum to come."

CORRECTION

The Surrey Executive Job-club telephone number is 0483 750558 and not that given in a report on September 14.

Lloyds Bank Base Rate.

Lloyds Bank Plc has reduced its Base Rate from 12.0 per cent to 10.0 per cent p.a. with effect from the close of business on Thursday 17 September 1992.

The change in Base Rate will also be applied from the same date by Lloyds Private Banking Limited.



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BASE RATE CHANGE

Union Bank of Switzerland, London announces that with effect from the close of business on 17th September, 1992 its Base Rate was reduced from 12% PA to 10% PA.



Union Bank of Switzerland, PO Box 428,
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BANK OF SCOTLAND BASE RATE

Bank of Scotland announces that with effect from Friday 18th September 1992 its Base Rate has been decreased from 12.00% per annum to 10.00% per annum.

BANK OF SCOTLAND
A FRIEND FOR LIFE

Euro-sceptic Lamont led astray by his Treasury advisers

BY MARY ANN SIEGHART

JUST one day after Michael Heseltine challenged Margaret Thatcher for the Conservative leadership, Norman Lamont was addressing the Euro-sceptic Bruges group on the dangers of European union. Of those who sit around the cabinet table, he is one of the least enamoured of Europe. It is unfortunate and ironic, then, that his reputation has been impaled upon a policy for which he has never been able to summon up much instinctive enthusiasm.

Yesterday Downing Street insisted that the Chancellor would not resign. The prime minister praised Mr Lamont for the "speed and courage" of his reactions. The Chancellor's cabinet colleagues rallied round. He could still be forced out by backbench pressure or a further financial crisis, but he has two great political advantages.

One is that, in every detail of economic policy, Mr Major has backed him. Indeed, Mr Lamont has done little more in the past two years than enact the economic policy bequeathed to him by his predecessor. The current débâcle is as much the fault of Mr Major as of Mr Lamont. If Mr Lamont has to resign as Chancellor, the prime minister will almost certainly feel

CHANCELLOR

duty bound to offer him another cabinet post. The other advantage Mr Lamont has is that a number of his very close friends, going back to undergraduate days, sit alongside him in cabinet. When at Cambridge, his circle consisted of Michael Howard (environment secretary), Kenneth Clarke (home secretary), John Gummer (agriculture minister), Sir Norman Fowler (party chairman) and Sir Leon Brittan (now a European commissioner). The first two are potential successors should Mr Lamont resign, but out of personal loyalty they are unlikely to precipitate such an event. Michael Heseltine might well calculate that this is not the most propitious time to take over as Chancellor.

Mr Lamont is not a natural political survivor. At heart he is a deeply pessimistic man, full of Scottish gloom. He is also personally rather insecure, hypersensitive to criticism and much less resilient than political bruisers such as Nigel Lawson. Even when he is doing well, he craves reassurance. If he felt his world were collapsing around him, he might be tempted simply to give up.

Mr Lamont has never had the commanding presence of Mr Lawson, a shortcoming of which his officials privately complain. He has never exhibited the self-confidence, bordering on arrogance, of his predecessor-but-one. While this might make him more likeable, it has also been a political handicap. Had he had more confidence in his own instincts, he could have challenged his officials. At the Bruges group lunch he said he felt passionately that Britain should retain control of its own economic decisions. It was precisely the loss of that control that led to the sterling crisis.



Lamont might be tempted to give up

Though Mr Lamont has been at the Treasury for six years, he had never until he was Chancellor had to tackle the management of the economy. As financial secretary, he dealt with taxation. As chief secretary, he ran the minutiae of public spending. When he became Chancellor in November 1990, he was relatively inexperienced in strategies for interest rates, exchange rates and economic growth. So, indeed, was Mr Major, who had only been Chancellor for just over a year. Mr Lamont felt instinctively that the ERM was an undesirable constraint, but he deferred to the Treasury mandarins who advised him to the contrary.

The Treasury has consistently misled Mr Lamont and his predecessors for the past five years. Its economic forecasts have been wildly inaccurate. When Mr Lamont arrived, officials failed to see the recession coming. When it came, they convinced him that it would be short and shallow. They encouraged him frequently to make a fool of himself by predicting a recovery that turned out to be a mirage. His "green shoots" have been killed off by frost too many times to mention.

If Mr Lamont does stay in his job, he must learn from this experience. The Treasury is not always right. More often than not, recently, it has been wrong. The most useful advice he could take is to tear up his Treasury briefs and start again.



Rising to the occasion: enthusiastic supporters give Alan Beith a standing ovation after his rousing speech condemning the government

Smith uses breathing space to heal divisions on Europe

BY JILL SHERMAN, POLITICAL CORRESPONDENT

THE sterling crisis and the events of the past 48 hours have led John Smith off the hook, by giving the Labour leader breathing space to sort out divisions within his party on Europe.

Members of the shadow cabinet such as David Blunkett and Bryan Gould have been criticising the leadership's line on Europe for the past two weeks and calling for a realignment within the ERM or a devaluation of sterling. Others, including Tony Benn and Michael Meacher, have been calling for a referendum on Maastricht. On Monday, Mr Smith warded off an embarrassing confrontation with party rebels by deferring a debate on Europe until meetings of the shadow cabinet and the national executive committee next Wednesday, after the French referendum.

Dennis Skinner has rebuffed two resolutions for Wednesday's national executive committee meeting which call for a referendum on Maastricht and a complete withdrawal from the ERM. "The last two or three days have been a total and utter defeat for the Euro chattering classes across all parties," he said. "If there is any suggestion of returning to the ERM it will be like a dog returning to its vomit."

Party sources made it clear yesterday that Mr Smith and Mr Brown were awaiting the French referendum and next

Wednesday's meetings before they made pronouncements on Labour policy. Sources close to the leadership said that Mr Smith would not commit the party to supporting re-entry into the ERM while the market was in such turmoil, although he was still committed in principle to the system.

Mr Smith and Mr Brown

refused to spell out preconditions for re-entry, to put a figure on the level at which sterling should go back into the ERM, or to put any timescale on the suspension.

One shadow-cabinet member privately pointed out that the leadership seemed to have forgotten the preconditions which the party set before the government went into the

ERM in 1990. However, party officials argued that it was unrealistic to expect Labour to come up with a firm policy line when the future of the ERM and Maastricht could be determined by the French referendum.

Yesterday Mr Smith and Mr Brown went on to the attack, claiming the government's economic policy was in tatters and pressing for a full statement on an alternative policy.

Speaking in Manchester, Mr Smith called for a radical shift in government policy to restore confidence in industry and get people back to work by investing in industry and training and allowing councils to use capital receipts from house sales. "After the humiliating reversals of yesterday, John Major's government put the final nails in the coffin of its economic policies," he said.

Beith demands an early election

BY ARTHUR LEATHLEY

LIBERAL Democrats yesterday rounded on the prime minister and the Chancellor and demanded a general election "to get rid of this discredited and incompetent government."

Alan Beith, the party's Treasury spokesman, demanded that voters be given an early opportunity to pass judgment on government failures which had brought misery to the

brought about the mother and father of a sterling crisis. Mr Beith ridiculed John Major and Norman Lamont for not accepting responsibility for the crisis and condemned the "breathtaking audacity they show in looking for someone else to blame."

During an emergency debate on the economy, the conference said that the government's policy lay in ruins and the country would have to pay for its failures through high interest rates, the effects of economic instability and returning inflation.

Toby Philpott, of Birmingham North West, condemned the breaking up of the ERM as a "thorough disgrace" and called for a return to it within two weeks of Sunday's French referendum on Maastricht.

Broken promises, page 8
Matthew Parris, page 18

Portillo enforces sacrosanct limits

BY PETER RIDDELL

The first meeting yesterday afternoon of the new cabinet committee on public spending was naturally overshadowed by the aftermath of the decision to suspend sterling's membership of the exchange rate mechanism, but the political and economic implications are almost as great.

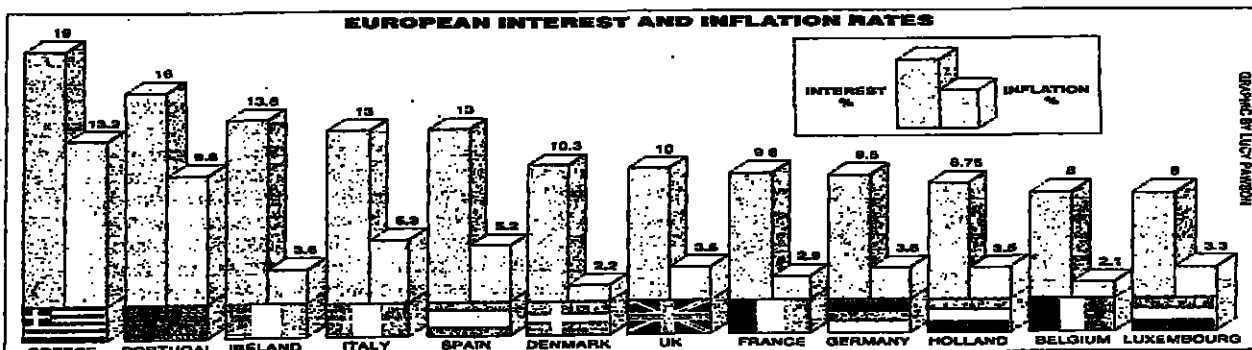
Each past devaluation of the pound has been accompanied by cutbacks in public spending plans, which produced bitter Cabinet arguments in 1967-8 and in 1976. The state of the economy is weaker this time, but there will be no scope to relax fiscal policy. Indeed, Whitehall officials were yesterday stressing the need to set a fiscal and monetary policy to keep inflation down.

Faced with a sharp rise in public sector borrowing, largely caused by the length of the recession, the cabinet decided in late July to introduce a new system of spending controls. This involved treating the existing spending figures for later years as firm upper limits rather than aspirations. In previous years, the aim was to get as near as possible to the agreed target, though it was

usually missed by a few billion pounds. But now the limit is regarded as sacrosanct. Secondly, a new ministerial committee, under the chairmanship of Norman Lamont, the Chancellor, and consisting of senior ministers such as Michael Heseltine, the president of the board of trade, Kenneth Clarke, the home secretary, and Lord Wakeham, the leader of the Lords, has been established to

decide on the allocation of spending. This will in practice turn on how unavoidable spending claims are to be financed. This system will largely replace the previous bilateral negotiations between the Treasury and spending departments.

Michael Portillo, the Chief Secretary to the Treasury, has been holding talks with spending ministers this month to reduce the £14 billion of extra money which they had sought, but this is essentially a preliminary to the deliberations of the committee.



Hint of optimism in housing market

BY LINDSAY COOK AND RACHEL KELLY

THE return to bank base rates of 10 per cent yesterday removed the immediate threat of a large increase in mortgage interest rates and even opened the way for optimism.

The big lenders were looking for more movement and some were hopeful of another cut in base rates that would allow a mortgage rate reduction. David Gilchrist, group general manager at the Halifax, the largest lender, said: "There will be a great deal of uncertainty in the next week or so. We hope that rates will not have to go up and that they may come down."

"The threat of the damage that would have been done to the housing market by rates of 15 or 12 per cent has receded. The government has shown it is not keen to see key interest rates at very high levels."

Lenders kept their nerve on Wednesday when bank rates were increased by 5 points, and they will not be too quick to respond to any cuts in base rates that take them below 10 per cent. They will want to be sure that any change will hold before they go to the expense of changing mortgage rates.

Abbey National, the second largest lender, said the return to 10 per cent restored the status quo and removed fears that mortgage payments would rise.

However, there are still pressures on the margins. Last month the Skipton, the 14th largest, moved its basic mortgage rate up to 11.25 per cent. Before this week's rate

changes there was a flicker of hope that the market might be returning to life. According to the Halifax, prices have been stabilising with small rises or falls around zero, and the rate of price falls has slowed. In spite of optimism, however, the underlying position has not changed.

Even if rates are cut, analysts do not expect a recovery in prices this year, with most not predicting a real rise until the end of next year. Fears of unemployment, one of the main reasons for the slump, remain. So does the stock of unsold houses that is dragging prices down.

Turmoil bolsters the Euro-sceptics

THE future of the legislation ratifying the Maastricht treaty now looks highly uncertain whatever the result of the French referendum on Sunday (Peter Riddell writes). The official view from Downing Street yesterday was that nothing has changed as a result of Wednesday's events and the decision temporarily to leave the exchange-rate mechanism.

If the French vote against the treaty it will be dead and the British government will, as president of the community, try to give fresh momentum to other business, such as the completion of the single market, the Gatt round trade talks, and closer inter-governmental co-operation on foreign, security and justice issues.

If the French vote in favour of the treaty the government's intention is to proceed with ratification. The agreement was approved in principle by a large Commons majority in December and the ratification bill was overwhelmingly backed on its second reading in May. The start of the committee stage had to be abandoned because of the result of the Danish referendum. Ministers were hoping

that if the French voted in favour of the treaty they then might be able to test the temperature of parliamentary opinion with the "paving" debate. This will be a general debate on policy towards the EC and the treaty, as promised by the prime minister after the Danish referendum.

But both the withdrawal of sterling from the ERM and the circumstances leading up to the decision have strengthened

the hands of the opponents of the treaty, the self-styled Euro-sceptics.

In the present Tory mood of criticism of the EC, there is likely to be little enthusiasm for the lengthy debates required to approve the treaty. Government business managers may also be reluctant to confront a significant group of their own MPs when confidence is fragile.

John Smith, the Labour leader, is under increasing pressure to take advantage of the government's divisions and weakness over the bill although Labour is split on the issue.



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Photo by G. Williams/SELECT

Europe is no longer the magic magnet for new members

FEW people doubt that the attraction of the European Community for countries applying for membership has been tarnished. Opinion polls have not yet reacted to the turbulence in the exchange-rate mechanism, but pollsters in Scandinavia expect a marked decline in support for membership, while Eastern Europe is looking with alarm at the disruption in the West.

Britain insists that enlargement of the Community remains a priority of its presidency. Officials say there is no reason to postpone the opening of negotiations with Finland, Sweden and Austria. So far there have been no calls from the governments of applicant countries to postpone negotiations. But Britain expects that applicants will want to consider the implications of the strain on the ERM and the future of economic

and monetary union. "All this has made everyone rather nervous," one official said. If France voted "no" in Sunday's Maastricht treaty referendum, there was likely to be a pause to take stock of the implications before any other Community business could be resumed, he said.

The realignment of currencies has been followed most closely in Scandinavia. Jan Berg, a researcher at the Swedish opinion polling firm Sifo, said the events would strengthen opposition to the Community. "When the Swedish people sense danger coming from abroad, their first instinct is to look inward," he said. The most recent Sifo poll, taken in mid-August, indicated 32 per cent favouring a Swedish EC membership, 43 opposed and 28 per cent uncertain.

In Norway, which has not

The turmoil over exchange rates is giving prospective European Community nations cause to think again, writes Michael Binyon, diplomatic editor

yet decided to apply for membership, public opinion is confused by the currency crisis. Despite Norway's decision several years ago to link the krone to the ERM, it still sees all the Nordic currencies as peripheral in Europe. Norwegian attention is concentrated more on the French referendum, which is seen as crucial to the future development of the Community.

Such countries as Poland, Hungary and Czechoslovakia, with more distant prospects of EC membership, have barely been affected by the ERM decisions. But their governments will be deeply worried

by any weakening of the Community's cohesion, since they see it as an anchor of stability for the rest of Europe. Britain was at pains yesterday to give the impression that its presidency of the Community has not been blown off course by the ERM troubles. "Life continues," an official said.

An immediate result of a "no" vote in France would be to free negotiations on enlargement from the precondition set at the Lisbon summit that Maastricht had first to be ratified in all member states. Britain must still find a broker agreement at the Edinburgh



Britain bales out as others queue to join — *Frankfurter Allgemeine Zeitung*

summit on the "Delors package" on the future financing of the Community. But officials said yesterday that Britain would press for an opening of talks as soon as possible. "The Lisbon conditions were laid

down when there seemed to be no problems with ratifying Maastricht," one said. "We will argue that they cannot now be held up until late spring" — the earliest Denmark can vote in a new

referendum. Community foreign ministers will meet in New York on Monday to discuss the results of the French referendum. The government has already made contingency plans for results

either way, and Douglas Hurd, the foreign secretary, will go on the offensive to promote swift EC action on Gatt, further co-operation over Yugoslavia and the Middle East and intensified consultations on sensitive issues such as immigration.

One obstacle to any speedy admission of new members is possible increased opposition from France and Spain, which are wary of enlarging the EC without first consolidating its structures. At Maastricht, the opposition of countries such as Spain was diluted by promises of a bigger "cohesion" fund. But if the treaty collapses, agreement on how large that should be will be that much more difficult to negotiate.

Europe's future, and
Diary, page 14
Leading article, page 15

British charge rejected

Waigel stung by blame heaped on Bundesbank

FROM IAN MURRAY IN BONN

GERMAN politicians and bankers yesterday angrily rejected British claims that the Bundesbank had created the EC's exchange rate crisis by undermining confidence in weaker currencies within the European Monetary System.

"I think it is unjust to try to blame the Germans. That is simply not correct," Theo Waigel, the finance minister told journalists. "I think everyone would do well to analyse themselves what should be done in their own house. I do not think much of apportioning blame, but I reject attempts to blame us."

Nevertheless, tough criticism has begun to emerge from some senior German commentators about the way the central bank has handled the crisis. On Monday it was accused of compromising its independence after agreeing to cut interest rates in exchange for a devaluation of the lira.

Yesterday even the staid *Frankfurter Allgemeine Zeitung* complained that the bank appeared to be increasingly confused. "This all does

not look very convincing," the paper said. Showing some sympathy for the British government, the paper said that it had done everything it could to push down inflation and keep a check on money supply but the point had come where it was more honourable to give up and let the market decide.

The left of centre *Frankfurter Rundschau* accused Helmut Schlesinger, the

sterling, the lira and the peseta had been forced to devalue. This was exactly what Herr Schlesinger wanted in an interview which precipitated Wednesday's run on the pound. Not only did the bank leave the rate unaltered but it cancelled the usual post-council press conference and refused even to comment on the decision.

One bank official said anonymously later, however: "The hunt for a scapegoat is in fact something which always happens in times of crisis, although everyone would do better to put their own house in order first."

Herr Waigel was visibly relieved yesterday morning that the Bundesbank would no longer have to go on buying weak pounds and lira with strong marks in order to prop up the two weak currencies inside the ERM. "Even with extensive intervention on the exchange markets it was no longer possible to hold these two currencies within the official rate," he said.

Don't blame us, page 14



Leading player: Helmut Kohl throws a ball during the annual children's party held in Bonn by the German chancellor. Yesterday his colleagues denied that the Bundesbank was to blame for the exchange-rate crisis

GERMANY

Bundesbank president, of failing to react calmly in the currency crisis and of "fanning the flames" by his remarks.

"Comments like this do not look very credible. The same is true of the demonstrative thanks poured on (Herr) Waigel for his help in arranging the lira's realignment."

Obviously stung by such comments, the Bundesbank central council sought to prove its independence yesterday when it met and ignored widespread pleas for a further cut in interest rates now that

Taxes up, spending down to rally lira

FROM JOHN PHILLIPS IN ROME

ITALY'S cabinet yesterday approved a draconian 1993 budget of spending cuts and tax increases worth 93,000 billion lire (£42.3 billion) to restore confidence in the lira as the Bank of Italy closed official foreign exchange markets until after the French referendum on Maastricht.

Giuliano Amato, the Socialist prime minister, unveiled what he called "provisions

ITALY

giving great relief of great magnitude in one of the most difficult situations in which Italy has ever found itself. The budget consisted of measures designed to cut spending by some 43,000 billion lire and raise revenue by about 49,000 billion lire, including 7,000 billion from privatisation, Signor Amato said. He indicated the government would hold a vote of confidence on the budget and associated economic reforms and resign if the package was rejected by parliament.

"We Italians must restore our faith in ourselves and restore the faith in our country and our currency of those who watch us from abroad," he said. "The life of the government is entrusted to this manoeuvre." He said he was confident the package would soon bring about "the recovery of credibility in our currency".

Emilio Colombo, the foreign minister, called for an emergency European Community summit after the referendum in France. "We will see what the result of the French referendum is and then there must be a summit to weigh up the results and to restore immediate monetary discipline as quickly as possible," he said. The meeting should be held before the EC summit set for December, he said.

The Bank of Italy closed its official exchange rate yesterday morning until Tuesday to protect the currency from speculation as the French vote on Maastricht approached. Earlier the lira was suspended from the EC's currency grid. The central bank told the EC monetary committee it would not intervene until Tuesday to keep the lira above its new ERM floor, fixed on Sunday when the Italian currency was devalued by 7 per cent. The last time Italy closed financial markets was in 1976, amid fears that the Communist party would form a government.

The lira lost ground against the German mark and the dollar in unofficial trading before the budget announcement yesterday but share values on the Milan stock exchange rose by 3.74 per cent in anticipation of the package to recover much of the 5 per cent slide in values on Wednesday. The lira oscillated between 840 and 850 lire to the mark at noon yesterday, compared with the official fixing of 814.3 on Wednesday. Sterling fell to 2197 lire from 2252.50 lire.

The prime minister announced cuts in Italy's "golden" pension system. Payment of all new pensions other than those for old age were blocked with immediate effect until the end of next year. A new law to reform the state pension structure would be bolstered to make the minimum retirement age 65 instead of 60 for men and 60 instead of 55 for women, Signor Amato said.

National health spending also was slashed, with payment required for drugs and medical assistance for everyone with an annual income of 40 million lire (£18,000).

Madrid endorses 5% cut in peseta

FROM EDWARD OWEN IN MADRID

CARLOS Solchaga, the Spanish economics minister, has defended his government's decision to devalue the peseta by 5 per cent and reaffirmed its commitment to the exchange-rate mechanism and the Maastricht treaty.

Speaking in the lower house of the Cortes in Madrid yesterday, he said that after Spain had seen how the pound and the lira had suffered before their withdrawal from the ERM, the Spanish authorities had devalued to avoid an increase in interest rates and a big fall in the peseta's value.

The intervention of the Bank of Spain had been limited, thus saving currency reserves.

Analysts predict that inflation in Spain will rise by an additional percentage point, exports will be cheaper, imports, including oil, dearer and tourism hardly affected by the yesterday's devaluation.

Felipe Gonzalez, the Spanish prime minister, said yesterday in Berlin before returning to Madrid from a meeting of the Socialist International that Spain still firmly supports Maastricht's objectives. Those objectives "must continue to be maintained," he said. He added that "absolute rigidity" was not vital and that there had to be some give and take, pointing out that one of the Maastricht objectives was to prevent the sort of "turbulence and speculation" of the past few days.

The move was generally welcomed in the Spanish financial sector where a devaluation had been expected. "The Bank of Spain has done it very well," one analyst said. "The devaluation is small and there is no need to change the monetary policy and the peseta stays within the EMS."

Fernando Panizo, secretary general for tourism, said: "The devaluation will have positive effects in the short term on the tourist market."

Bérégovoy wields pound's plight to defend Maastricht

FROM CHARLES BREMMER IN PARIS

FRENCH leaders brushed the plight of the pound yesterday as a warning of a fate that could befall France as mainstream politicians and the press appealed to voters to put aside their grievances and vote "yes" for Europe in Sunday's referendum.

News of the monetary tempest was slow to penetrate the Maastricht debate in France because the franc remains one of Europe's stronger currencies and attention has been more focused on the cancer that has suddenly cast doubt on the future of President Mitterrand.

However, Pierre Bérégovoy, the prime minister, and other leaders quickly seized the political implications. "If France votes 'no', the EMS will enter a crisis," he said. "I do not want to exercise any pressure on the consciences of the French, but I do not want them to say they have not been warned."

Like every event touching on Maastricht, the crisis was interpreted in diametrically opposing ways. While *Le Monde*, the government and market commentators saw it as perfect proof of the need to move to a single currency, opponents of the treaty greeted it as testimony to the opposite.

Charles Pasqua, one of the two Gaullist champions for rejection, said the devaluation showed that the existing system was superior to a single currency. Opponents seized on a statement by Michel Sapin, the finance minister, which hailed the strength of the franc. "The franc is in the group of the most solid currencies of the EMS. In the future, its value can only appreciate."

The French central bank, however, did intervene during trading yesterday to keep the franc firm.

publican Party, a division of the UDF, asked why the announcement had not been held until after the vote.

In typically incendiary fashion, Jean-Marie Le Pen, the leader of the far-right National Front, outraged politicians on both sides in a national television debate when he insisted that he had proof that "the president's operation was timed to suit the campaign". A group of left-wing anti-Maastricht leaders walked out of the television studio in protest as M. Le Pen went on to exchange insults with Elisabeth Gigué, the European Affairs minister, and with Bernard Kouchner, minister for humanitarian action.

Although M. Mitterrand insists that he is fit and has "not even thought about leaving", speculation is intense that he may announce plans to retire soon after the referendum, whatever its outcome. Several newspapers jumped the gun yesterday, saying the campaign for his succession had effectively opened. While the media welcomed the new found openness with which the presidency has treated M. Mitterrand's ailments, medical experts questioned whether the whole truth had been disclosed.

L&T section, page 5

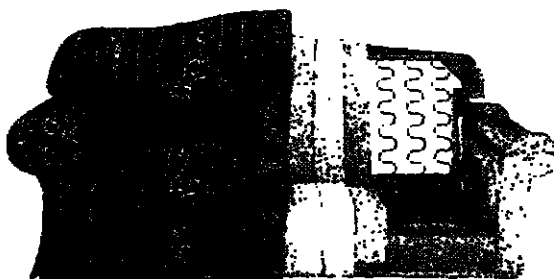


Bérégovoy: No pressure on French consciences

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Supermarkets withdraw suspect cooked meat as a precaution after public health warning

Labour urges enquiry into infected pork

BY ALISON ROBERTS

THE Labour party called for an immediate investigation into toxin-infected pork yesterday after the health department issued a warning to the public not to eat the contaminated produce.

The cooked meat, sold in supermarkets across the country, was produced by Baron Meats of Wisbech, Cambridgeshire, who discovered an unidentified organism in the meat five weeks ago.

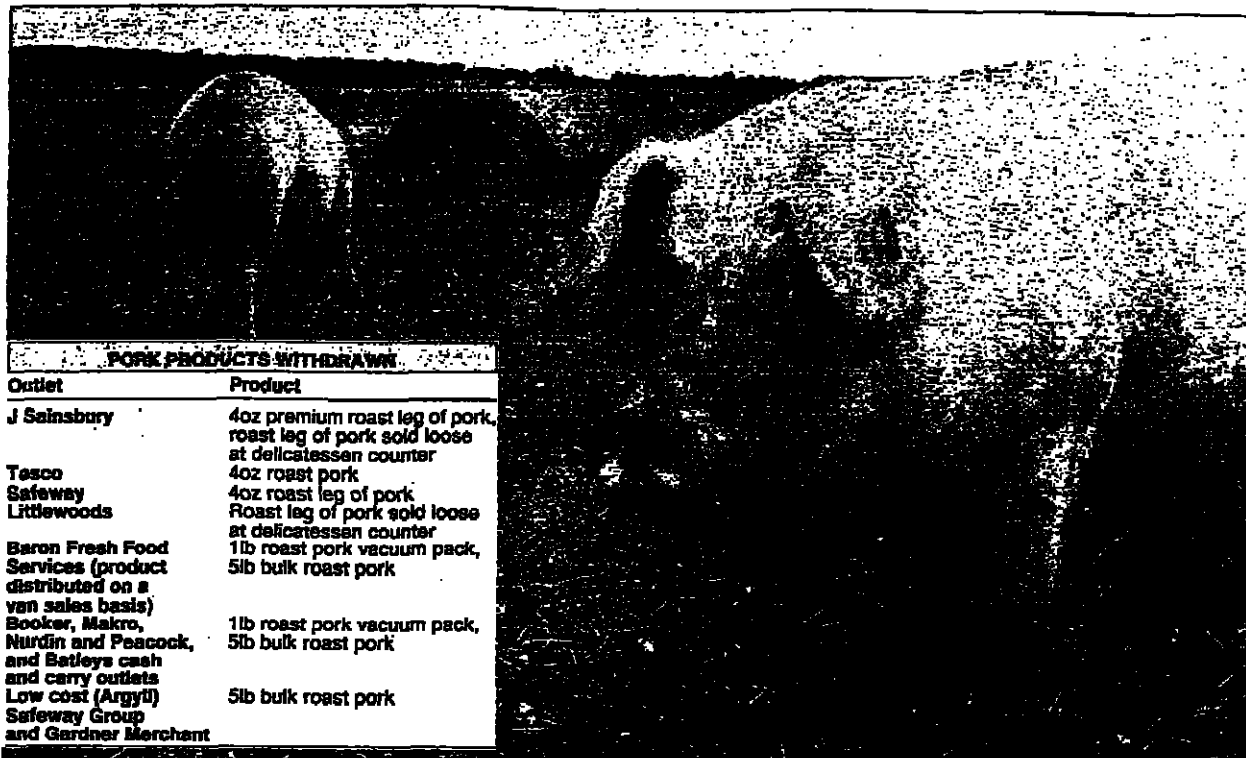
The firm's parent company, Hazlewood Foods, said last night that it had called in investigators from the Camden Food Research Association, who recognised the organism which causes botulism food poisoning two days ago. Simon Wooley, company spokesman, said: "Only pre-cooked pork is at risk. There is no risk to frozen pork, sausage rolls, bacon or ham." The

contamination had been discovered when the company used new tests.

Nigel Griffiths, shadow consumer affairs minister, said: "The health department must carry out an enquiry to determine how the meat came to be infected, when this was known, whether there were any delays in informing the public, and what steps are recommended to all meat processors to ensure there is no recurrence of this elsewhere."

There have been no reports of illness caused by the pork, but supermarkets have withdrawn all packets produced by the company "as a precaution."

The government has warned the public not to eat products sold at certain named outlets, to destroy open packets of the produce and to return unopened goods to the



Danger list: the products taken off supermarket shelves. The source of the contamination is still unknown

point of purchase. The health department was told that "indications of pre-formed Clostridium Botulinum toxin" were present in unopened packets of pork products by Baron Meats, who had traced the organism in routine quality control tests.

Meanwhile, police in London were called to track down a party of French students whose lunch boxes had been packed with potentially contaminated pork sandwiches. A police patrol, alerted by an all-points bulletin, found the tourists near Marble Arch

and seized the sandwiches. The onset of illness caused by the botulism organism usually occurs between 18 and 36 hours after eating a contaminated meal, but can be delayed by up to eight days. Symptoms are sudden and include vomiting, diarrhoea

and eventual paralysis. Medical treatment must be sought urgently and the patient treated with anti-toxins. Yesterday, Baron Meats was still trying to establish how the contamination occurred and exactly how many outlets were involved.

Deadly bacterium that is easily killed

BOTULISM outbreaks in manufactured foods are rare in Britain but deadly and expensive when they occur (Alison Roberts writes).

Clostridium botulinum is an unusual bacterium that is easily killed by less harmful organisms. The bacterium remains dormant when in contact with the air and becomes active only when vacuum-packed. Cooked meats are notorious for contamination — last year 21 per cent were considered in need of investigation — so, if present, the bacteria rarely survive.

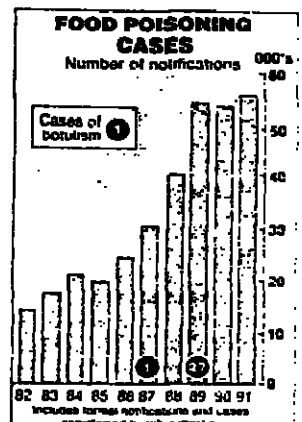
However, botulism is the most dangerous natural poison produced by creatures. One gram can kill between 100,000 and ten million people. Victims are paralysed by the toxin that the bug produces, rather than the bacterium itself.

Botulism can infect food after processing or when the procedure goes wrong. If other bacteria are killed during processing but heating procedures are faulty, botulism can survive undetected.

The last big botulism scare was in June 1989 when hazel-

nut yoghurt was infected with contaminated puree. An elderly woman died and 26 people were taken to hospital with severe food poisoning. Supermarkets say it took more than six months before hazelnut yoghurt was again bought in normal quantities.

The Institute of Food Research in Reading, Berkshire, is establishing a data base for manufacturers to check processes. The system will evaluate laboratory tests and deliver a safety verdict in minutes.



England rugby star cleared of GBH

A rugby player capped 23 times for England was cleared yesterday of causing grievous bodily harm to an opponent in a "friendly" club match. Gary Rees, 32, sobbed outside Kingston Crown Court, southwest London, as he was hugged by his parents and his girl friend. Mr Rees, a financial adviser, of Kegworth, Leicestershire, said that he had never condoned violence.

The prosecution had alleged that Stefan Marty, a physical training instructor playing for London Irish against Nottingham last January, was deliberately punched from behind by Mr Rees after a line-out. Mr Marty, 31, suffered a compound fracture of the jaw, had to have two teeth removed and a metal plate inserted. He was put on a liquid diet, lost 20lb and has not played since.

Mr Rees had told the jurors, who took 3½ hours to consider their verdict, that Mr Marty had fouled him continuously in the match. Mr Rees, a 16st flanker, decided to draw the referee's attention to the obstruction by "barging" him to the ground with a "sweeping motion" from his right arm. Judge Baker said that although rugby involved a lot of physical contact, "the law of our country does not stop at the touch-line."

Mr Rees's solicitor, Neville Radcliffe, a vice-president of Nottingham Rugby Football Club, said outside the court that the player and club had expressed their sympathy to Mr Marty days after the incident. "The proper place for genuine sporting disputes to be resolved is within the auspices of the sporting authorities," Mr Radcliffe said.

Fire bomb attacks

Scotland Yard's anti-terrorist branch was yesterday investigating fire bomb attacks at Madame Tussaud's, the London Planetarium and the Imperial War Museum. The devices exploded on Wednesday night. Waxworks of the body snatchers Burke and Hare in Tussaud's Chamber of Horrors were seriously damaged. The attacks on tourist attractions mirror past fire-bombings in central London by the IRA. As firemen dealt with the attack at Tussaud's, a second device went off near by at the Planetarium, damaging seats in the auditorium. The fire at the museum, in south London, started in the lower basement floor near a display on trench warfare. Minor damage was caused.

Mellor will not testify

David Mellor, the heritage secretary, will not be called to give evidence in the libel case brought by Mona Bauwens, daughter of a leading PLO member. Mrs Bauwens is seeking damages from Mirror Group Newspapers, publishers of *The People*, claiming that an article about a holiday she took with the Mellor family at the time Iraq invaded Kuwait branded her a social leper. Philip Windsor, reader in International Relations at the London School of Economics, yesterday said PLO support had strengthened Saddam Hussein's hand diplomatically. He said it would be over-simplistic and naive to describe the PLO as a terrorist organisation. The case continues today.

Judge fights road plan



Britain's most senior woman judge, Dame Elizabeth Butler-Sloss, left, yesterday gave evidence at a public enquiry to try to prevent a dual carriageway being built close to her home at Marsh Green, Devon. Dame Elizabeth, 59, a Court of Appeal judge, said: "You cannot go on ruining rural life just because people want to get from A to B as fast as they can."

Garden tools warning

Gardeners are being offered dangerous power tools for hire that could maim or kill, *Gardening from Which* says. A survey by the magazine found that many hire shops seldom gave the right advice on how to use tools safely. A third of power saws and hedge trimmers had serious safety drawbacks because of poor maintenance or outdated design. Since a similar survey in 1990, however, more shops are keeping their tools in good condition and more are offering protective clothing.

PC faces retrial

An Old Bailey judge yesterday ordered the retrial of a policeman accused of planting drugs on a black car mechanic. Judge Parker, QC, discharged a jury unable to agree after nearly five hours. It had been told that Rupert Taylor, 32, of Notting Hill, west London, had been arrested by PC David Judd, 36, for having cannabis, and had been acquitted after saying it had been planted on him. PC Judd, of Ruislip, northwest London, denies doing acts tending or intended to pervert the course of justice.

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Fishing crew escape after line snagged by US submarine snaps

BY KERRY GILL

THE skipper of a fishing boat told last night how hawseers snapped and saved him and his six crew from drowning after the American nuclear-powered submarine USS Sturgeon caught his nets as he was trawling in the North Channel, between Scotland and Northern Ireland.

Paul Johnson said his boat, the *Lupina*, was dragged astern and he feared it would be pulled under the water. "I thought we had snagged our nets on the bottom," he said. "But once we started to move backwards I knew something was amiss."

"We were flying through the water at a powerful rate of knots and were starting to be pulled under. When I jumped from the wheelhouse down to the side deck the water was up to my waist and I had to pull myself through it to get to the crew accommodation to warn them. If the wires hadn't snapped under the pressure it would have been all over in a matter of seconds and we wouldn't be here. It is a disgrace that the fishing grounds where we try to make a living are dangerous for trawlermen because these guys want to play games under the water."

"It will happen again and I just hope the next crew get

away as luckily as we did. We were within one minute of another *Antares* tragedy."

After the incident, the *Sturgeon* was able to manoeuvre using an auxiliary propulsion system but had to be towed into the naval base at Faslane, Strathclyde, by a British team, aided by a US Navy personnel, sent to the scene and the home port of Killeel in Northern Ireland under its own power.

The US Navy has launched an enquiry into the accident. It is less than two years since the submarine HMS *Trenchant* sank the Scottish trawler *Antares* off Arran in the Firth of Clyde, with the loss of four lives.

After the sinking of the *Antares*, regulations ordered that submarines should keep 4,000 yards away from fishing boats when underwater and 1,500 yards away when operating at periscope depth. Last night, it was still unclear whether the *Sturgeon* was submerged or at periscope depth when it hit the nets. Its position at the time of the incident, late on Wednesday night, will form part of the investigation.

Lieutenant Kate Bankier, speaking from Faslane, said the *Lupina* had been working

in a zone that had been notified as a submarine operating area. She said the *Sturgeon* immediately surfaced to check that all was well with the fishing vessel and her crew.

Mr Bankier said the *Lupina* should have received information that the area was being used for a submarine exercise. Regulations stated that such information had to be broadcast every six hours with a 12-hour update. But she said the *Lupina* had every right to be in the area and the onus was on the submarine to keep a lookout for fishing vessels.

George Foulkes, Labour's defence spokesman and president of Clyde Fishermen's Association, last night demanded a ban on submarines in recognised fishing areas. "Until they stop submarine exercises totally in fishing areas, fishermen will not be safe," he said.

"I am calling on them again to agree now to stop all submerged activity in recognised fishing areas."

Dick James, of the Northern Ireland Fish Producers' Association, said he would be telling the Royal Navy in strong terms that their procedures for avoiding fishing vessels were deficient and the association would be claiming for the damaged nets.



Labour of love: Peter O'Toole with Tara Fitzgerald, who plays opposite him in *Our Song*, which opens at the Apollo Theatre, London, on November 3. The play, about a doomed affair, is adapted by Keith Waterhouse from his novel

Producers protest at BBC time limits

BY MELINDA WITTSACK
MEDIA CORRESPONDENT

THE breadth and quality of BBC documentaries and factual series are threatened by a stringent new staffing formula that imposes the same strict production time limits on all programmes within a genre regardless of their content, BBC programme department heads and producers have disclosed.

As BBC management met yesterday to agree about £80 million of cuts over two years in non-programme making overheads and about 1,250 job losses, BBC producers said that programme budgets were being dictated by a "network staffing model". The system was devised by Jane Drabble, assistant managing director of BBC Television, and sets out strict staffing levels and time limits per programme type.

Salaries will now be paid directly out of programme budgets, effectively turning many BBC programme-makers into freelancers no longer paid between projects.

Programme-makers fear that the new rules, modelled on staffing levels of lower-budget series such as *Everyman*, will threaten investigative journalism, particularly programmes taking more than a year to research.

Andrew Neal, who resigned last week as head of the BBC natural history unit, said the scheme was "a bizarre and unnecessary bit of bureaucracy" that could also threaten some highly acclaimed natural history programmes. "Department heads should be trusted to spend money wisely. If we're irresponsible with money we should be fired; if we deliver good programmes on budget we should be left to get on with it."

Cuts being announced today should free more money for programme-making. But one editor said that BBC managers were naive to believe that crude measures of productivity, which might work in a biscuit factory, could be applied to programme-making. "Some films take two weeks to make, others take more than a year."

Ms Drabble, who drew up the model with a consultant, David Carpenter, said that the staffing model was just a tool for calculating budgets. "It is up to programme-makers to decide how to spend those budgets. There is some flexibility. This is a guide, a very useful starting point," Jonathan Powell, BBC1 controller, said the staffing model was an effort to use staff more efficiently.

Mr Neal said that many talented people would go without pay while waiting to see if their programme had been commissioned.

NEWS IN BRIEF

Sex game killer jailed

A man who choked his friend to death in a homosexual bondage session was jailed for three years yesterday.

Frank Reilly, 44, regularly encouraged James Duffy, 61, to tie him up and knot electric flex around his neck. The Old Bailey was told. One session went wrong when Duffy, the husband of Reilly's ex-wife, was drunk and tied the flex too tightly.

Huubert Dunn, QC, for Duffy, said: "Reilly liked the idea of being bound up and of sex with pain and humiliation." Duffy, of Canning Town, east London, admitted manslaughter. His plea of not guilty to murder was accepted.

Drug prince

A member of the Kuwaiti royal family who admitted possessing drugs was given a conditional discharge after 11 months in prison. Prince Dhari Fahad Al-Sabah, 20, had 21 small bags of cannabis when police stopped him last month.

Murder charge

David Chopping, 34, of Nottingham, was remanded in custody by the city's magistrates accused of murdering Brian Clayton, 59, of Melton Mowbray, Leicestershire. Mr Clayton's body was found at Nottingham Midland rail station on Sunday.

Grave error

An elderly woman awoke from a nap at her home in Barnby Dun, South Yorkshire, to find that a policeman checking her welfare had reported her death and was awaiting an undertaker.

Birth setback

The Israeli government has blocked a plan for six British women to give birth among dolphins in the Red Sea. The women will instead give birth in plastic pools at a Jerusalem hospital.

Minibus crash

Ten people were injured, two seriously, when a minibus thought to be carrying students overturned on the M4 near Cardiff.

Flying chance

John Hickinbottom, a flying instructor, is offering 40 free lessons to anyone who will buy his £190,000 house in the Malvern Hills near Hereford.

Fire kills pigs

More than 120 pigs died in a barn fire started by arsonists at Cleadon Grange Farm, Cleadon, Tyne and Wear.

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The Gospel according to A.N. Wilson



In The Times Saturday Review this week, Lord Longford examines A.N. Wilson's controversial new book about Jesus, and A.N. Wilson describes how growing doubts caused him to lose his faith - and discover Jesus.

THE TIMES

TODAY SEPTEMBER 18 1992
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 THE TIMES

Money talks, but sometimes it needs an interpreter.

The Economist

Liberal Democrats at Harrogate: a divided conference overshadowed by the sterling crisis

Ashdown attacks 'worthless pledges' to the electorate

BY SHEILA GUNN
POLITICAL CORRESPONDENT

THE government is living on borrowed time after the collapse of its economic policy, Paddy Ashdown said yesterday. The pledges of John Major were now worthless and Norman Lamont was a "man of straw".

In his speech at the close of the party conference, the Liberal Democrat leader stopped short of demanding either the heads of the prime minister or his Chancellor, or an early general election, for fear of further undermining confidence in sterling. But he said: "They will be held to account for what they have done. For the moment, our first concern must be for those who are the victims of their failures."

His speech focused on the options facing Mr Major and the "lack of leadership" afflicting the government and Labour alike. "Our party conference ends in the middle of one of the most serious crises in our modern history: a crisis not just of currencies and the economy, not just for Britain and Europe, but a crisis of confidence in our entire system of government itself," he said.

"When people find that they can no longer trust the most solemn words of our national leaders, that the pledges of our



Ashdown: winding up conference yesterday

prime minister are worthless, that the Chancellor of the Exchequer is a man of straw, small wonder that they feel betrayed."

He warned the prime minister that, unless Britain could recover and rediscover the will

to invest and build for the long term, it was in grave danger of slipping into permanent economic decline.

Mr Ashdown promised the government his party's short-term support if Mr Major made a full statement on government strategy, confirmed an early re-entry into the ERM and allowed the Bank of England to act as an independent central bank.

Many representatives had looked for a stronger condemnation of Mr Major and a demand for an early election. Later Mr Ashdown told journalists he wanted to put the political implications to one side for the time being.

In his speech he said the government had offered complacency rather than action, and inertia instead of leadership. "From this moment onwards, this government is on

borrowed time." One of his chief fears was that the currency crisis would bring about a total rejection of closer European co-operation and a return to isolationism, racism and right-wing fanaticism.

Mr Ashdown left the conference satisfied that he had won the party's authority for the pursuit of his idea of promoting a pluralist form of politics through informal contacts with other parties and the uncommitted, but with objections to a formal courtship of Labour ringing in his ears.

He devoted less of his speech than usual to attacking Labour because, he said, it was at a crossroads and must decide whether to be a force for or an obstacle to change. His supporters departed knowing that their fate depended almost entirely on which course Labour takes.

John Major wrote to Mr Ashdown yesterday, rejecting his call for inter-party talks on the economy, although he said he would be happy to meet Mr Ashdown before next Thursday's Commons debate for a private discussion.

As he left the conference the Liberal Democrat leader said that Mr Major's response "indicates his misreading of the mood and his complacency".

Currency crisis, pages 2-4
Matthew Parris, page 18

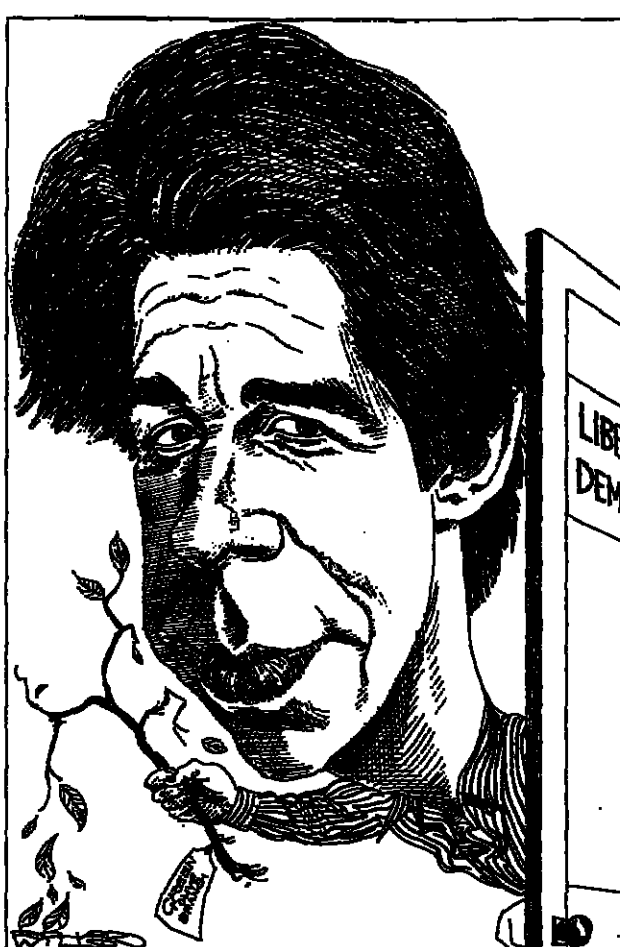
Liberalism in moderation

LIBERAL Democrats were warned against abusing the employment rights of catering staff by late-night socialising at their next conference (Arthur Leathley writes).

Tony Skelton, chairman of the Association of Liberal Democrat Trade Unionists, said that, during this week's

conference, members drinking late into the evening had consistently given bar and restaurant staff no choice but to work extra hours.

Calling on members to "practise what they preach", he said there should be no repeat at the party's 1993 spring conference in Nottingham.



Peace offering: Jonathon Porritt, the former chairman of the Green party, unexpectedly addressed the conference yesterday, urging Liberal Democrats to take advantage of the split within the Green movement (Arthur Leathley writes). He welcomed the decision taken on Wednesday to talk to other parties.

and said that the Liberal Democrats should take the opportunity offered by "the political vacuum elsewhere in the Green political scene". The Green party is recovering from a dispute at its recent party conference which led to the resignation of Sara Parkin as chairman of the party's executive committee.

Slow down, you're going too fast

Delegates reined in the leadership. Robin Oakley writes. But they failed to answer the question: "Where do we go from here?"



THE Liberal Democrats left Harrogate yesterday still suffering from a mild case of schizophrenia after a scratchy week overshadowed by economic turmoil.

Much of the week was spent deciding whether their future lies as a pressure group, a sort of think tank with MPs, or as a full-blown party seeking power. And if they opt for the latter, do they seek deals with someone else as a halfway house?

Paddy Ashdown wants to nudge them along the path towards simultaneous co-operation and competition, so-called pluralist politics. There is little doubt that he hopes for Labour to achieve electability and then to be able to do a deal with John Smith. But delegates streamed to the rostrum in the anguished debates on the party's future to insist that there could be no pacts with Labour. They fear loss of their identity.

As Lindsay Granshaw, rapporteur of Sunday's talk-in, put it: "Some felt that Labour was too rotten, corrupt and self-seeking to be worth talking to at all." But Mr Ashdown was given the freedom at least to start a dialogue with others.

The other paradox is that while Mr Ashdown is looking wistfully towards co-operation with Labour, the Liberal Democrat leadership was under fire for moving too far to the free-market right. The Challenge, Opportunity and Responsibility policy document pushed by Mr Ashdown survived only by 13 votes. And there was a string of reverses for the platform on issues ranging from prostitution to hunting. There was a slight stropiness about this conference, a touch of "We'll decide that, thank you."

When David Steel led the Liberals, a more radical party was always pushing him on policy. Under the restless, perpetual-motion Mr Ashdown, it is the party which seems to want the leadership to slow down, to establish a new identity "calmly and cautiously" as the party president, Charles Kennedy, put it in what looked like the gentlest of warnings to his leader.

It was a letting off steam conference. In the run-up to the election the fringe-issue merchants had allowed themselves to be muzzled. This year the leadership allowed the activists free

rein. It was a little more like the old Liberal party. A number of speakers had to correct themselves from "fellow Liberals" to "fellow Liberal Democrats".

There was nothing depressed about this conference, however. The Liberal Democrats have the kind of stickability which enables obsessives to construct models of the royal yacht from discarded pipe cleaners.

They admit that they did not do as well in April as they had expected ten days before the end of the election campaign. They were disappointed to return to Westminster with two MPs fewer than at the start of that election.

But they make the comparison with two years before the election when, after the trauma of the Alliance break-up, they had sunk to 4 per cent in the polls and appeared destined for oblivion. They have, according to polls, the most popular leader. And since they have done better in the past at picking up by-elections under Tory governments than under Labour, there is confidence talk already of doing so again.

None the less, the Liberal Democrats remain puzzled about what they must do to become something more than a party of local government (where they have 3,500 councillors) and of parliamentary by-elections. There is a general feeling that things cannot go on quite as they are.

However, that new policy document Challenge, Opportunity and Responsibility presented as an early trailer, heaven help us, of the next election manifesto, is full of questions rather than answers.

Is it still justified for the state to provide universal services for all, or is a greater measure of targeting necessary (not as difficult for Lib Dems, committed to a merger of tax and social security systems, to swallow as it is for Labour, which has begun asking the same question). And, strikingly for a party traditionally devoted to Keynes and Beveridge: "Is full employment any longer achievable, or even desirable?" No wonder Mr Kennedy called the debate on party strategy "the debate that the Tories and Labour dare not have".

Council tax based on 1991 house prices

BY DOUGLAS BROOM
LOCAL GOVERNMENT CORRESPONDENT

THERE will be no wholesale revaluation of the 20 million homes in England liable for the new council tax, even if property prices continue to fall, John Redwood, the local government minister, said yesterday.

Houses would be taxed on the basis of their value in April 1991 "for the foreseeable future". He believed the new tax would be successfully introduced next April to replace the poll tax. Every home in the country has been placed into one of eight council tax bands and householders will be told in March which band their home is in.

"The bands are quite wide and they are designed to reflect the relative values in an area. There should be no need to change as prices change because the relative values will remain the same," Mr Redwood said.

Defending the decision to choose April last year as the valuation date, he said: "We had to pick a common base date and we took April 1991. That was not the peak of the market and values had already fallen some way."

He was speaking at the launch of a £3 million publicity campaign to explain the new tax to householders. Every home in England will be sent an explanatory leaflet next week. Mr Redwood said he did not expect a large number of appeals against banding because the valuation exercise had led to more homes being

put in the lower bands than had been expected. He condemned Labour for misleading people about the valuation exercise. Labour had claimed that because fewer homes were in the high value bands, people in lower bands would have to pay more.

Areas with large numbers of low-value properties would receive extra grants to compensate for their reduced tax base. The grant system was designed to enable every council to levy the same tax rate if it spent at target level.

"Far from causing concern I expect that the results of the banding exercise will leave many people, particularly in London, feeling very relieved because their home will be in a lower band than they expected," Mr Redwood said.

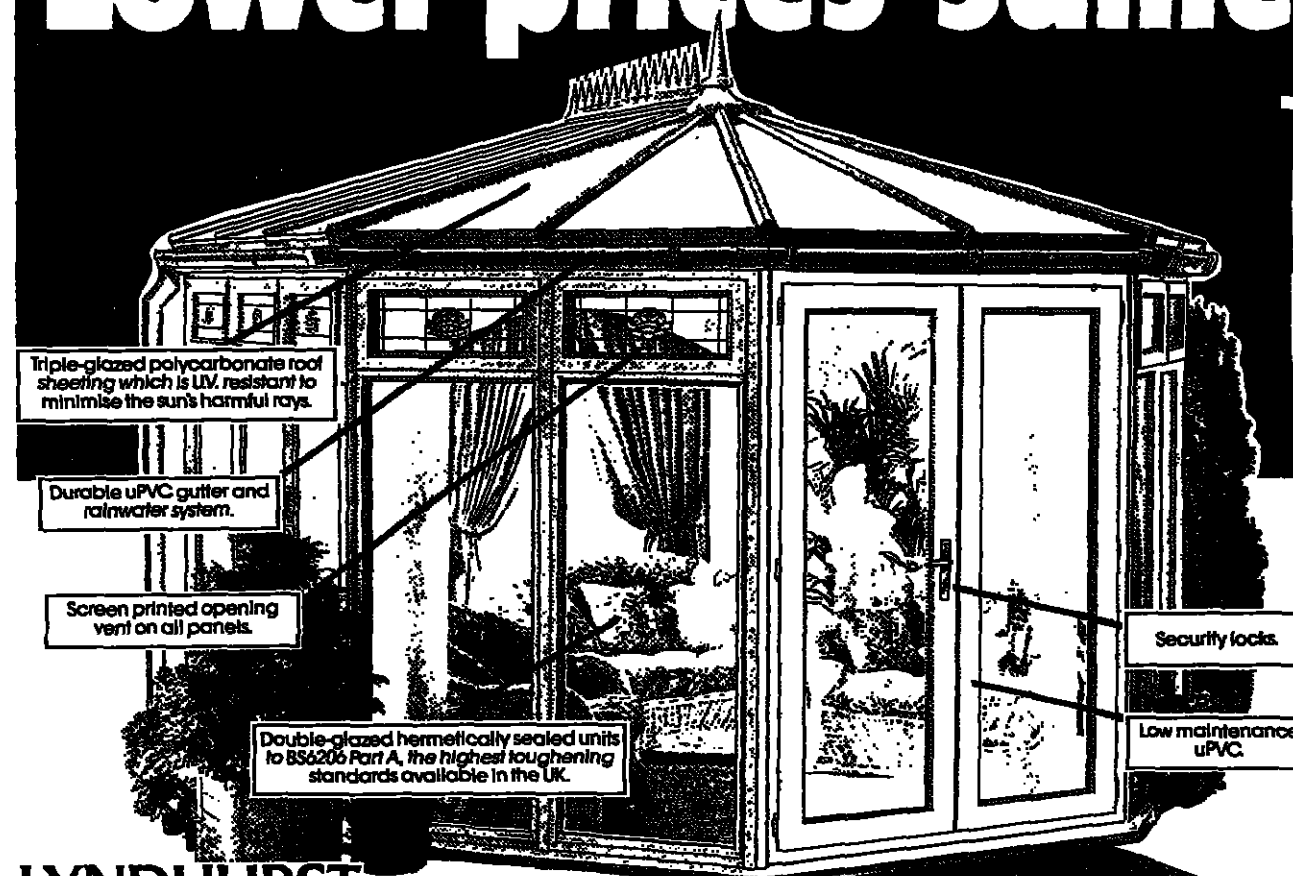
He refused to disclose what the government expects the first council tax bills to average. There are 366 taxing authorities, each setting eight bands, so there will be wide local variations," he said.

The government plans to publish six leaflets explaining all aspects of the new tax from valuation appeals to benefits. They will be available on request free of charge in 11 languages, in large print and in Braille. Council tax bands are: A up to £40,000; B £40,001-£52,000; C £52,001-£68,000; D £68,001-£88,000; E £88,001-£120,000; F £120,001-£160,000; G £160,001-£320,000; H over £320,000.

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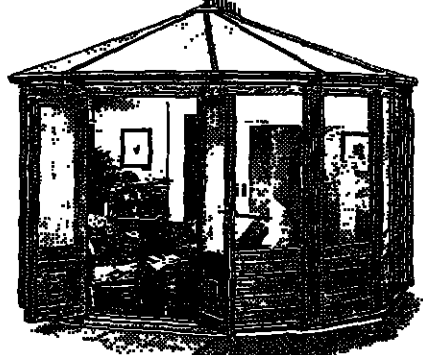
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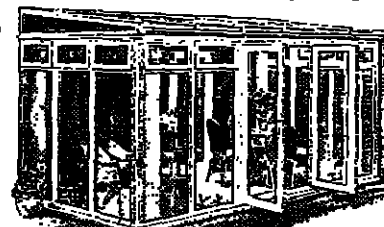
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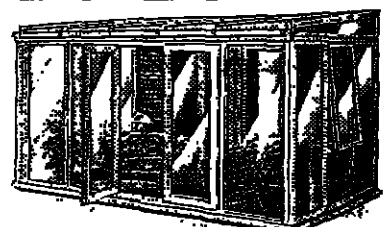
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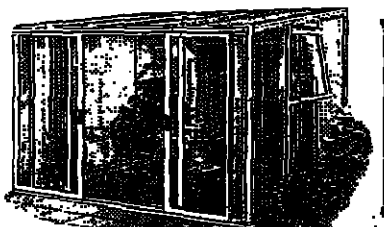
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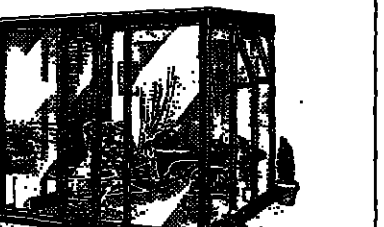
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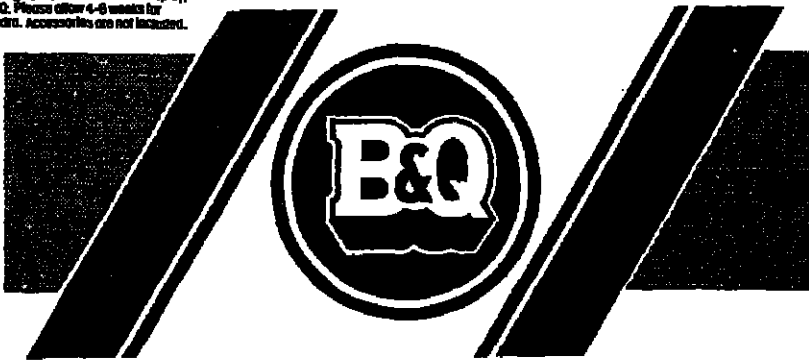
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Instant check alerts shops to credit card fraud gangs

By Nick Nuttall, Technology Correspondent

SHOPPERS who change radically what they buy might soon be subjected to personal questions in stores.

An artificial intelligence computer system has been developed by Barclays Bank to monitor patterns of spending with credit and debit cards. The system, partly developed with European Community funding, tries to match daily purchases with a customer's past spending.

Changes in buying patterns, monitored as shops telephone for authorisation, alert fraud prevention staff at headquarters to the possibility that a stolen or counterfeit card is being used. They will ask the card-user on the telephone to verify, from information held by the bank, the user's identity, while alerting police to a possible crime. Barclays plans to introduce an automatic version next year.

An 18-month pilot scheme, in which the computer has studied spending patterns based on receipts, has identified ten frauds a day. The bank says that only one customer thought that the system raised questions of privacy.

Barry Fergus of Barclays said the computer took only two milliseconds to query a purchase. He refused to disclose patterns that would trigger an alert, but indicated that sudden changes could do so. He said that much of card crime was committed by petty criminals hired by large-scale operators, who handed them stolen cards to buy easily resalable goods such as cigarettes and alcohol.

Barclays yesterday unveiled two so-called biometric systems that it thinks may become weapons against card fraud if made sufficiently cheap and efficient. One, a fingerprint system, matches a shopper's fingerprint with a coded copy on the card. The other matches the way people write their signatures with a signature pattern on the card.

Banking facilities for people under 18 are a growing cause for concern, consumer groups and the banking ombudsman said yesterday (Louise Hidalgo writes). The Consumers' Association is to investigate the case of a boy of 14 who opened an account with National Westminster and was allowed to withdraw £50 a week although his initial deposit was only £20 and his weekly earnings were £15.

National Westminster said that only a few young people had abused its Card Plus account. It could not check a balance against money taken out at the time of withdrawal.

Scientists test bones for proof of tsar

By Nigel Hawkes, Science Editor

FORENSIC scientists yesterday began testing a bagful of bones that may hold the secret of what happened to Tsar Nicholas II and his family.

The latest methods for analysing the genetic material DNA are being used to determine whether nine skeletons dug from a pit near Ekaterinburg in the Urals are the remains of the Russian royal family, slaughtered after the Bolsheviks seized power in 1917.

The bones have been brought to Britain by Dr Pavel Ivanov, of the Moscow Forensic Institute, who is joining scientists at the Home Office's central research and support establishment at Aldermaston, Berkshire, for the six-month project.

Yesterday, standing behind two polythene bags containing a few discoloured bones, Dr Ivanov said that Russian tests had provided "good evidence" that the bones were those of the royal family, but the DNA techniques pioneered in Britain were needed to be certain.

The bones on display at the Home Office were, he believed, the left leg bones of the Tsarina, and the left thigh and upper arm bones of the Tsar. The team will try to



Putting bones to faces: photographs of the Tsar Nicholas II, right, and the Tsarina, and samples of the bones believed to be theirs

extract sufficient DNA, of a type passed down only by women, to show whether individuals in the group are related. If this succeeds, they will compare the DNA profiles with those of descendants of the Tsar's family in

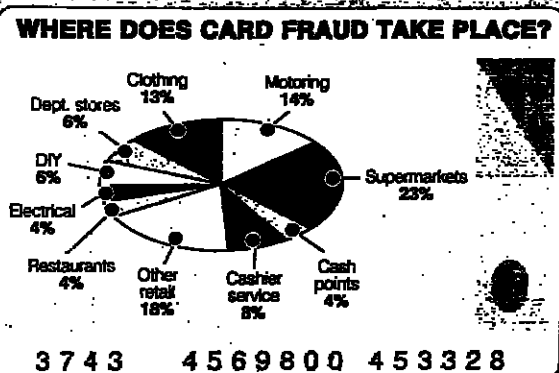
the maternal line. If the bones are those of the royal family, they will find that the DNA chain sequences of the children are identical to those of their mother, the Tsarina.

The Tsar will show a different sequence, as will the bodies of the family doctor and three servants also believed to be among those killed and buried in the pit.

The final step will be to find living relatives of the family who can trace their lineage back through the maternal line to the mother of the Tsar and the mother of the Tsarina. A small clipping of hair from a living relative will be enough to produce a sequence to compare with those in the bones, identifying the remains positively.

The leading candidate for DNA samples would be the Duke of Edinburgh, whose maternal grandmother was a sister of the Tsarina.

Leading article, page 15

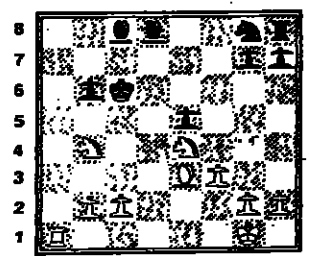


Fischer overwhelms Spassky in 21 moves

By Raymond Keene, Chess Correspondent

THE old Fischer magic returned in spectacular form for game nine of his match against Boris Spassky on the island of Sveti Stefan.

Fischer won the game in only 21 moves, forcing Spassky into the quickest defeat of his career. He has now won the last three games and leads by four wins to two.



The final position

The winner of the match will be the first to win ten games.

The opening of the game, with Fischer playing white, was Fischer's favourite Ruy Lopez. On the fourth move, he resorted to the exchange variation. The American's 15th move caught everyone by surprise: a pawn sacrifice that Spassky could not accept.

Fischer's key move was the 19th, a knight sacrifice that could be accepted only with fatal consequences.

White Black White Black
1 e4 e5 12 Bc5 b6
2 Nf3 Nc6 13 d4 d5
3 Bb5 a6 14 a5 Kb7
4 Bxc6 dxc6 15 e6 Be7
5 e4 f6 16 Rxc6 Bxc6
6 d4 exd4 17 Nd4 Kc8
7 Nxb4 c5 18 a6 cxb6
8 Nb3 Qxd1 19 Nxb5 Bxb5
9 Rxd1 Bg4 20 Nxb5 bxa5
10 Rf1 Bb4 21 Nb4+
11 Nc3 Bb5 Spassky resigns

Soldier who hit men is jailed

THE son of the regimental colonel of the Duke of Wellington's Regiment was jailed for eight weeks and dismissed the service after he pleaded guilty at a court martial yesterday to assaulting a barman and injuring another officer.

Second Lieutenant James Mundell, 22, was serving with the regiment at Bulford Army camp, Wiltshire, on April 9 when officers were holding an election night party, the hearing at Bulford was told. When a Labour MP was returned, Mundell broke a window with his hand.

The steward, Private Richard Downs, 19, complained and Mundell told him: "You are here to serve officers and not to tell us what we can't do." He pushed Mr Downs off a chair and punched him.

Later, he and Lt Andrew Hadley, 24, burst into the room of 2nd Lt Richard Breary, woke him and asked him to toast the Tory success. He refused and the pair attacked him.

Hadley denied causing actual bodily harm. He told the court: "It was just drunken, boisterous behaviour."

Mundell said: "It was a prank that went very wrong." His father, Brig W.R. Mundell, is on leave pending retirement. The sentences are subject to confirmation.

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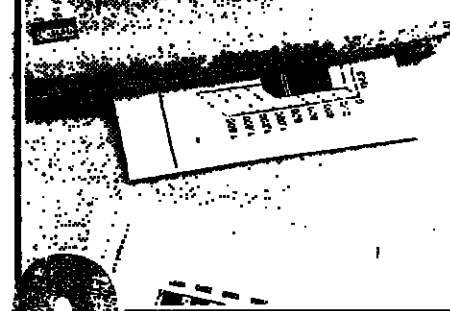
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"The Last Day of Summer"

by Douglas Hurd.

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This Saturday, The Daily Telegraph is publishing the Foreign Secretary's poignant short story about the Bosnian crisis.

The Daily Telegraph

Bush risks charge of running scared by dodging TV debate

FROM JAMIE DETTMER IN WASHINGTON AND MARTIN FLETCHER IN LOS ANGELES

WHILE the Republicans anguish over dismal opinion poll showings yesterday and denied attempting to sabotage presidential debates, Bill Clinton was being serenaded by Barbra Streisand at a Hollywood extravaganza.

To the tune of *It had to be You* Streisand sang to Mr Clinton and his wife, Hillary. "George Bush and Dan Quayle, they golf and they sail; one doesn't look well, the other can't spell, those fellows won't do... it has to be you."

The bipartisan Commission on Presidential Debates confirmed that there is no chance now that the first of the three 90-minute televised debates it had scheduled can go ahead in East Lansing, Michigan, on Tuesday. The two other debates, planned for October, have also been put in doubt by President Bush's refusal to accept the commission's proposal that he and Mr Clinton be questioned by a single moderator rather than a panel of three journalists.

The Republicans object to the format because they fear that with only a single moderator there would be opportunities for the candidates to spar directly. White House aides acknowledge that Mr Clinton is faster on his feet than the president and they want less direct contact. They also

believe that with a panel Mr Clinton will face more embarrassing questions on alleged draft dodging.

With polls showing Mr Clinton maintaining his lead and now even challenging the president in traditional Republican-leaning Florida, the cancellation of the first debate has left Mr Bush vulnerable to the charge that he is running scared. Martin Fitzwater, the White House press secretary, dismissed Democrat claims that the Bush campaign is trying to "squirm out of head-to-head debates". He said the president was keen to debate but only if the format was "fair and equitable". "Both campaigns are very protective and concerned about their prerogatives and the interests of their candidates," he said.

They have good reason to be. With more than half of the adult American population traditionally watching the debates, the television confrontations between the White House contenders can significantly affect voting. Ronald Reagan's repetition of the line "There you go again" against Jimmy Carter in 1980 went a long way in encouraging voters to kick out the Democrat. The cold response by Michael Dukakis to the hypothetical question of whether he would favour the death penalty if his

wife was raped and murdered, severely damaged his candidacy. "The debates have become the Super Bowl of presidential races," said Robert Schmutz, a political writer.

The Bush campaign objected to the commission's proposals from the beginning. It did not like the suggestion of three debates instead of two, fearing that the more voters see Mr Clinton, the more they may think he looks presidential. The Bush camp has almost certainly succeeded in reducing the number of debates to two.

Clinton's aides are unlikely to want to compromise on the commission's proposed format. Campaigning in California on Wednesday, Mr Clinton said the new format would be an "honest and open discussion, which would be far less likely to be dominated by one-liners and more likely to clarify the issues."

However, at least one Republican commentator believes it would be a mistake for Mr Bush to avoid the debates. David Gergen, the communications director in the Reagan administration, said: "Bush is at the point where he needs to transform the dynamics of the race, and debates may be the last weapon he has."

Diary, page 14



Brief encounter: Bill Clinton, the Democratic candidate, greeting his wife Hillary between their separate campaign engagements in Los Angeles

Clinton poll lead pushing Baker to go for jugular

BY ANTHONY HOWARD

When James Baker took charge of the Bush campaign just four weeks ago, he knew he was on a rescue mission. The president's chances of re-election in November were still just about afloat. But the former Secretary of State will need all of the six weeks of the campaign remaining to him if he is to succeed.

The great disappointment for the man who is now running his fourth presidential campaign — Mr Baker's track record goes back to 1976 — is that, unlike in all the other electoral challenges he has taken on, the polls have so far stubbornly refused to turn around.

Nobody denies that Mr Baker, controlling everything from his command post in the White House, has brought a new air of purpose and focus to the president's campaign. In professional terms it probably now has the edge over Bill Clinton's team, where the command structure is much more diffuse. But there is a limit to what order and efficiency can do.

Take the president's two big speeches since Mr Baker took over. Both his appearance before the Economic Club in Detroit, and his patriotic address to the National Guard convention in Salt Lake City, were immaculately organised occasions. Better than that, the president displayed a command of syntax and (particularly in Detroit) a coherent grasp of a complex argument. Yet neither performance appears to have made much impact on the voters.

Perhaps predictably, an undercurrent of cynicism has begun to spread in Salt Lake City: even local Republicans are murmuring that, since it was one of those rare occasions when both candidates were appearing on the same platform though not simultaneously, the president should have seized the opportunity to go for the jugular. By this they mean that he should have attacked

Mr Clinton directly, rather than by implication, on his draft record — thereby leaving the challenger no alternative but to reply before an unsympathetic audience.

For the moment, though, Mr Baker plausibly intends to keep his candidate on the high road. It may be all right for others to raise the jagged issues (the Republican national committee promptly did so with a set of ten questions on the draft addressed to Mr Clinton as soon as the speech was over); but the president himself should be seen to be above this sort of thing.

It is perhaps too transparently a split-level strategy to carry much conviction; and criticism of it seems bound to mount among Republican activists, especially if there continues to be no substantial erosion of Mr Clinton's poll lead.

It begins increasingly to look as if Mr Baker will need to pull out some new stops. To his credit, he lost no time in spotting the unpopularity of the "family values" legacy that he inherited from the Houston convention, but he has still to find an emotive centrepiece for the campaign with which to replace it. Most observers still expect that ultimately to be an attack on Governor Clinton's fitness for office — with the blade being driven in over what the Democratic candidate did or did not do over the draft in 1968-9.

This may well be the best weapon the Republicans have at their disposal, though its cutting-edge probably looks sharper to those of the Baker-Bush generation than it does to those of the electorate. The Vietnam war is already a much part of history that, in an effort to make it comprehensible to the younger generation, school textbooks have just been published about it.

Mr Baker may be 61 and his candidate 68, but they both need to keep in mind that the median age of the American voter is now 39.

Gap widening between candidates

BY ROBERT WORCESTER

SIX weeks from next Tuesday, on November 3, about half the American electorate will trouble to cast their vote for president of the United States.

As the days between now and then slip by, the gap widens between the incumbent president, George Bush, and the Democratic candidate, Governor Bill Clinton of Arkansas. What "bounce" there was after the Republican convention in the third week of August has mostly faded. The president will have to convince eight people in a hundred to change their minds in the next six-and-a-

half weeks if he is to be re-elected.

One polling organisation, Greenburg-Lake/Tarrance, has not been included in the poll summary because it is using a different methodology, conducting a rolling four-day sample of 250 registered voters, interviewed each evening. Its most recent finding, with fieldwork finished last Sunday, is exactly in line with the figures in the graph (left).

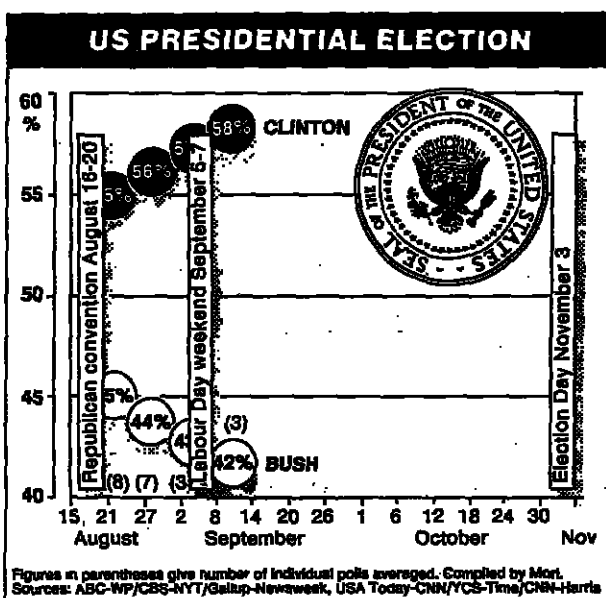
All the American poll organisations now interview by telephone and most interview about 1,000 people across the 50 states and are at the

moment interviewing people who claim to be registered to vote. The most recent poll, by CBS-New York Times, indicates that Mr Bush has 43 per cent and Mr Clinton 57 per cent, after excluding the 14 per cent who are undecided, among 1,006 registered voters.

Mr Bush's rating of handling the job of president is still running into big negative figures. In Gallup's poll for Newsweek last week, 58 per cent disapproved of his handling of the presidency while only 35 per cent approved; those figures were

almost identical to the percentage of the American public who felt they were no better off now than they were four years ago.

The public perception of Mr Bush's record has not helped his campaign. Sixty-nine per cent say they believe the country is worse off because of Mr Bush's economic policies. Robert M. Worcester is chairman of Mori and Visiting Professor of Government at the London School of Economics. He is a frequent contributor to The Times, and is compiled with the assistance of American Enterprise magazine.



Red September



THIS Saturday, the Times Saturday Review comes with a stylish accessory: an Autumn fashion supplement. 28 stimulating pages of stylish tips: looks for scarlet women, the new war paint, Nicole Farhi's style secrets, suits for smartypants, and more.

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Lynda la Plante, the award-winning author of *Widows* and *Prime Suspect*, talks at length about her career and her new TV series.

Civvies - ex-paras come to terms with civilian life.

A good weekend's reading.

This Saturday's long distance weekend takes you to Hong Kong; Clement Freud takes breakfast with Paula Yates; and Beirut hostage, Brian Keenan talks exclusively with The Times about how he is coming to terms with freedom.



THE SUNDAY TIMES

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Two Koreas opening hotline but nuclear sites remain closed

BY DAVID WATTS, DIPLOMATIC CORRESPONDENT

NORTH and South Korea are to open a military hotline to prevent a new war breaking out in the world's last Cold war flashpoint.

The agreement came yesterday after the prime ministers met in Pyongyang to sign a series of confidence-building measures that it is hoped will lessen tensions. The hotline is an important symbol between two countries still technically at war after 40 years, with a million men facing each other over a national boundary across which there is no postal or telephone service, no travel and precious little trust.

But despite the progress made by Chung Won Shik, prime minister of South Korea, and Yon Hyong Muk, his North Korean counterpart, the latter refused to yield on the issue of nuclear sites or on the reunion of divided families.

North Korea has yet to satisfy the rest of the world that it is not intent on the develop-

ment of a nuclear weapon for use in a last-throw attempt to unify the country. Kim Il Sung, the 80-year-old "Great Leader", has sworn to unify the country before his death. South Korea has been pressing for access to the North's nuclear sites to satisfy itself that there is no real possibility of a surprise assault, but has so far been rebuffed.

The hotline between the two military commands will be installed within 50 days and, at the same time, committees will be set up to implement a peace agreement between the two sides.

"The North wants to give the impression of progress, but there was no substantial change on the key issues of nuclear weapons and the exchange of people," a diplomat said. The North, he added, was still unable to make up its mind on the nuclear issue and on whether to adopt a more reasonable stance that might attract aid and investment

funds from South Korea and overseas.

Until the nuclear issue is resolved the South is determined that there will be no softening of its attitude on economic exchange. The North is also reluctant to give any advantage to either side in the forthcoming presidential elections in the South, due before the end of the year.

"It is great progress on the road to unification," Mr Yon claimed, but Mr Chung called the activation of the committees a second-best solution. From now on both sides should make efforts faithfully to implement agreements to advance national unification," Mr Chung said.

On the same day, a fresh sign of North Korea's isolation came with the announcement that Cuba wants to establish economic links with South Korea. This follows closely on the recognition of the southern government by China, hitherto a close friend of Pyongyang.

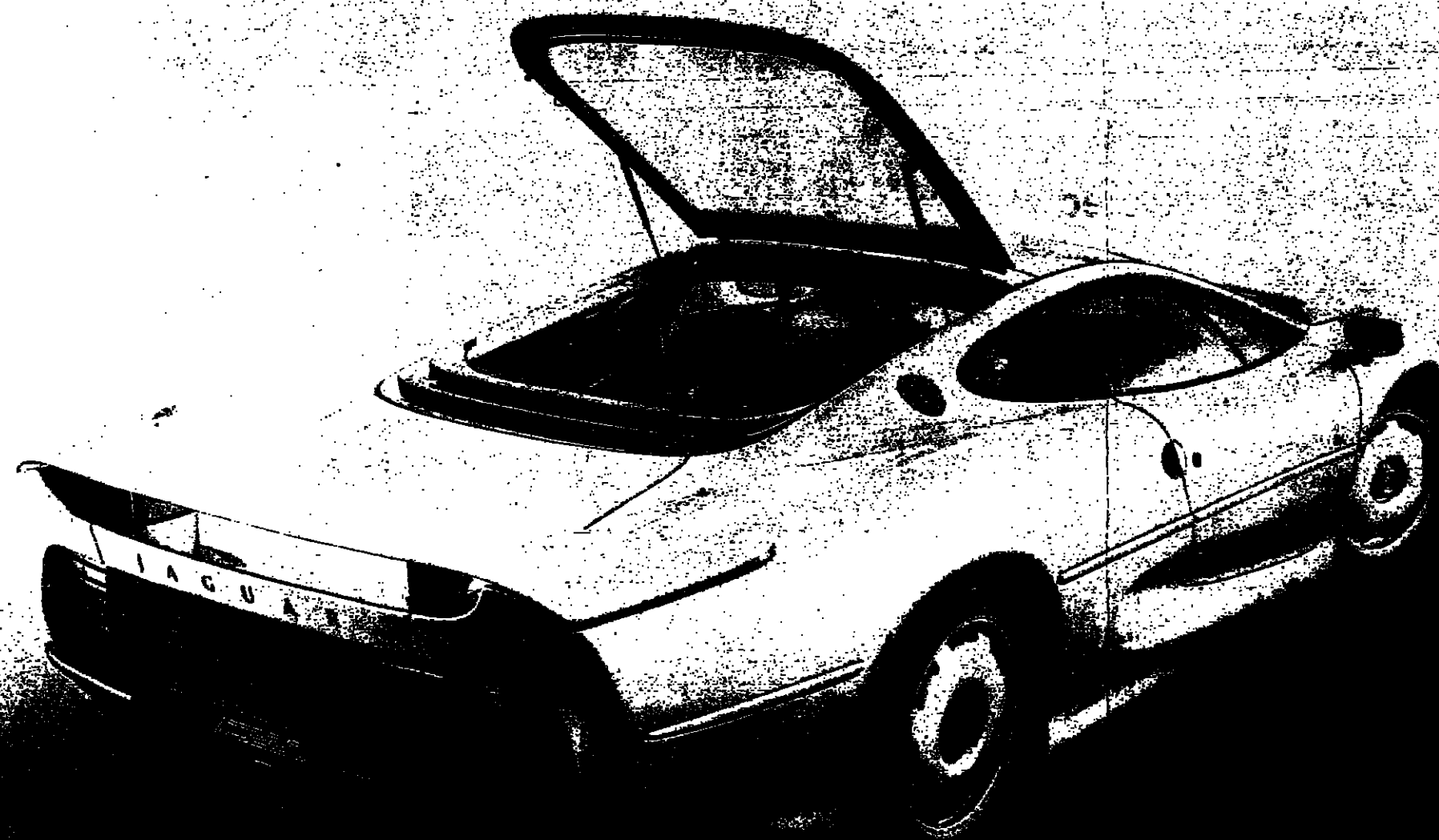


In the vanguard: the first 34 Japanese troops to serve abroad since the second world war boarding the transport vessel *Mizura* at the port of Kobe yesterday. Accompanied by 390 sailors who are also to join United Nations peacekeeping forces in

Cambodia, the troops were seen off by 12,000 of their fellows and protesters in dinghies. In a statement read on his behalf, Sohei Miyashita, the defence minister, told the men, sporting UN blue berets: "It is your efforts and sense of responsi-

bility that will promote the nation's understanding of peacekeeping operations." Opposition to sending defence force troops abroad was so great that it took the government nearly two years to get the necessary legislation through parliament.

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Inland sea ravages Pakistan farmland

FROM CHRISTOPHER THOMAS IN PUNJAB

FROM the air, southern Punjab is a swirling inland sea, dotted with thousands of tiny islands from which homeless and destitute people wave for help. This is Pakistan's prime farming country, its economic backbone, and it is ravaged beyond calculation.

Nearly 3,000 villages and tens of thousands of farms have vanished beneath water in Punjab alone. Kashmir has been devastated. The consequences for this poor country are only now dawning. Punjab's many rivers are still bursting their banks as flood-water pushes south towards the Arabian Sea, leaving a trail of mass destruction.

The vast stretch of water, which last night entered Sind province, widens by the day. In places it is 20 miles across. A second, smaller, flood wave is on its way from the monsoon-battered North, ensuring that it will be weeks or even months before Punjab is dry.

The great lake moves at a steady four miles an hour southwards, toppling houses, bringing down pylons, destroying roads and bridges, spreading disease and ruining the small farms that keep Pakistan's economy alive.

Losing the cotton crop is a calamity for Pakistan. More than half the mainstream economy depends on the cotton industry, directly or indirectly. The government has banned the export of raw cotton to ensure that its own textile mills have enough to produce the linens that are a vital foreign exchange earner.

NEWS IN BRIEF

Sudan aid flights to increase

Nairobi: The United Nations said yesterday that it had secured agreement with Sudan's government to increase relief flights. A deal on overland aid routes across disputed civil war zones still had not been agreed, however.

Jan Eliasson, the UN under secretary-general for humanitarian affairs, said that talks were still in progress with the government on improving access to remote areas of the country. (Reuters)

Airport boost

Hong Kong: The government here is to spend an extra £2.8 billion on its new airport and rail link to allay Chinese fears that the project would have a huge debt. Peking had rejected Hong Kong's original financing plan. (Reuters)

Marines deal

Mogadishu: General Muhammad Farrah Aidid, leader of one of Somalia's warring factions, has accepted the deployment of US Marines off the coast to support plans for ferrying in troops to protect relief supplies. (AFP)

Rwanda pac

Arusha, Tanzania: Rwanda and the rebel Rwanda Patriotic Front presented a joint document on ending the civil war at talks attended by neighbouring states. (Reuters)

Last round

Brisbane: Danny the goat, which found fame in picking up mugs of beer and swigging the contents, has drunk its last pint. It was found shot dead near here. (AP)

Iraq flaunts rebuilt palace to spite Bush

FROM CHRISTOPHER WALKER IN CAIRO

IRAQI officials boasted defiantly yesterday that President Saddam Hussein's severely bomb-damaged palace had been repaired and also predicted that President Bush would lose the November presidential election.

Mahmoud Diab al-Ahmad, the housing minister, said that the palace, which stands in sprawling grounds on the south bank of the Tigris, had been rebuilt by a team working around the clock for 11 weeks. The palace was a repeated target during the Gulf war last year. Al-Qadisiyah, the army newspaper, said on its front page: "The reconstruction of the Home of the People [as the lavish palace is officially known] is a loud reply to rancorous and malevolent enemies."

The rebuilding is part of an emergency reconstruction programme known as the counter-attack, whose pace has impressed even Western critics of the Baghdad regime. It is estimated that more than three-quarters of the damage inflicted on Iraq's infrastructure by allied missiles and bomb-

ers has been repaired. The rebuilding has made many supporters of the regime millionaires by exempting construction profits from tax. There have been extensive repairs to the wrecked electrical grid, even though the generators were imported and all imports of Iraq except food and medicine are under embargo.

Al-Thawra, the paper of the ruling Baath party, claimed yesterday that it was inevitable that Mr Bush would lose the election on November 3 because he had deceived the American people. In an editorial, the paper said: "The criminal Bush will fall after he sank in the swamps of crimes and failed the test of honest principles and values of justice and righteousness."

The paper indirectly echoed the taunt now frequently heard from Iraqi officials that Saddam will keep his job longer than Mr Bush. Privately, they predict to Western visitors that if Bill Clinton enters the White House, there will be a stronger chance of ending the two-year-old embargo by the United Nations.

Besieged town awaits its doom

FROM EDWARD GORMAN
IN BIHAC, BOSNIA

LOOKING through binoculars half a mile away, you could see the pigs ambulating along the road near the deserted village of Golubac. They seemed oblivious to the sound of firing on the hot late summer's day.

Larger explosions signalled shells reaching the centre of the Muslim-held Bosnian town of Bihać from Serb positions on the surrounding hills. Golubac has become a matter of life and death for the people of Bihać, which has been under siege since April at a cost of 315 dead and 1,500 injured. The village, straddling the Una river, two miles outside Bihać, commands the town's southern approaches.

Last Saturday — the day on which the Bosnian Serbs had agreed that UN monitoring of their heavy weapons in this area would begin — their commanders outside Golubac launched an offensive aimed at taking the village and Sokolac, which overlooks the town.

The attack was repulsed, but UN sources here, trying in vain to implement the monitoring arrangements while Serb commanders fail to respond to their radio calls, say the Muslims are hopelessly outgunned. Mujanovic, 33, once a waiter, is leading a five-man mortar team in the battle for Golubac. "What we want from the West is to give us the heavy weapons that the Serbs have, or else take the Serbs' weapons away," he said. "In general we would prefer the second solution."

UN officers at the Motel Bihać say the outlook is "dire". One said: "We are sitting here getting shelled waiting for the Serbs to pick up the phone — that nicely sums up the UN position."

Bosnian Serbs will make peace offer excluding Muslims

FROM TIM JUDAH AND DESSA TREVISAN IN BELGRADE

BOSNIAN Serbs are to offer their Croat counterparts a peace deal excluding Muslims in talks convened today by Cyrus Vance and Lord Owen, joint chairmen of the Geneva peace conference.

Aleksa Buha, the foreign minister of the self-proclaimed Bosnian Serb Republic said that his delegation would offer an exclusive Serbo-Croat ceasefire to be followed by negotiations for a separate peace.

Mr Buha spoke in Belgrade as Bosnians and Croats fought fierce battles with Serbs, especially in and around Sarajevo. President Izetbegovic of Bosnia repeated his threat to boycott the Geneva talks, claiming that Bosnian Serbs had been attacking four Bosnian towns from the air.

Mr Buha said that the separate peace deal had already been suggested to the Bosnian Croats at "informal talks" and added: "They like the idea". A separate peace is the ultimate nightmare for Bosnian Muslims, who are fighting to prevent Serbs and Croats carving up the republic between them.

Mr Buha said: "We believe this would force the Muslims to come round and start talking." On Wednesday the Bosnian Serb parliament demanded that Muslims and Croats begin negotiations "on the division of the territory by mutual consent". The assembly also rejected an amendment to the Serbian Republic's constitution defining it as independent. "We do not want to leave Yugoslavia of our own free will even though many are pushing us out of it," said Momcilo Krajisnik, the assembly president.

Mr Buha said that Serbs still stood by a pre-war agreement in which they forfeited their right to stay in Yugoslavia in exchange for the division of Bosnia into ethnic "cantons". But he accused both Muslims and Croats of undermining the deal and said he was not optimistic that it could be revived. "If every-

one starts thinking the same way, and after all the evils we have done to each other, we may decide not to live together... in fact this has already happened."

Muslims and Croats had already decided on confederation. "We have nothing against it," he said, "we just don't want to be part of it."

In Geneva Fred Eckhard, the UN spokesman said that today's talks would begin "with a clean slate". All three sides could come with new ideas because "the agreements about cantonisation turned down by the Bosnians will not be a starting point for the talks".

Asked about the deteriorating military situation in eastern Bosnia, where Serbs are coming under increased at-

tack from Bosnian Muslim guerrilla units, Mr Buha said: "We can defeat them but we don't want to because if we did then the whole of Europe would start ringing alarm bells accusing us of ethnic cleansing."

Bosnian Croats are likely to be well disposed to an offer of a separate peace deal, but the issue of disputed territory seems insuperable. The key area at issue is the strategic northern corridor linking Serbia with Serb territories in Bosnia and Croatia.

The Croats want to cut the corridor in order to throttle the supply lines to the Serb territories in Croatia. A separate

peace deal would also condemn both Serbs and Croats to war without end as ever more radicalised Muslims fight to remake Bosnia. Mr Buha made a special plea for Serbs that he said were held prisoner in Croat and Muslim controlled towns saying "they would be glad to be ethnically cleansed".

In Belgrade there was renewed political uproar as Milan Panic, the Yugoslav prime minister, said that his government was ready to apply to the UN for the admission of the new federation of Serbia and Montenegro. The Serbian government of Slobodan Milosevic, the Serb leader, reacted furiously and Borisav Jovic, the Socialist Party leader, threatened Mr Panic with a second no-confidence motion in as many weeks. Mr Jovic, an implacable foe of Mr Panic, said that the prime minister's attitude "is inflicting enormous and perhaps irreparable damage to our country".

One of the main planks of Mr Milosevic's policy is that the new federation is the legal successor to the old and should inherit its seats in international organisations. The issue has given new ammunition to supporters of Mr Milosevic who want to topple Mr Panic for attempting to undermine the Serbian leader.

● Sarajevo: Warring sides in Bosnia pounded each other with unrelenting ferocity yesterday. The Muslim defenders of Sarajevo launched fresh attacks to try to break out towards Ilidza to the south west. Bosnian radio said the Serbs were attacking the nearby Croat-held village of Stup and were trying to cut Sarajevo in half by breaking the Muslim lines in the southern suburb of Hrasno.

Elsewhere in the republic, the radio said 2,000 shells had fallen on Gradacac in the last 24 hours, many of them from heavy 155 mm howitzers and 120 mm mortars. The Serb side reported tank and artillery battles. (Reuters)



Milosevic still at odds with Panic



Old enemy: a group of young German neo-Nazis, bearing the symbols of imperial Germany that were later appropriated by the Third Reich and carrying their weapons, giving the Hitler salute

Neo-Nazis link arms in hatred

German intelligence officials see disturbing evidence that far-right groups are banding together against asylum seekers, Adam LeBar writes from Berlin

GERMANY'S mushrooming neo-Nazi groups are forging links among themselves and carrying out co-ordinated attacks on refugees seeking asylum in the country, according to intelligence officials.

Although all far-right groups share the common aim of expelling foreigners from Germany, they are concentrated in independent factions and parties. The development of linked activities is disturbing because it heralds a shift away from ad hoc assaults and drunken rampages towards planned attacks. Officials say that CB radars are being used by ringleaders orchestrating violence.

German intelligence estimates that there are 40,000 far-right extremists, including 4,200 militant skinheads, in the country. "We have to take these latest attacks very seriously; we have not come to the end," one intelligence official said. So far this year the neo-

Nazis have been responsible for 970 attacks in which ten people have died and 700 have been injured.

The extreme right has scored several political victories, sharpening the terms of Germany's immigration debate. Pressure is building in mainstream parties to amend the right to asylum and yesterday Bonn announced plans to deport thousands of Romanians, many of them gypsies.

Prejudice against gypsies is widespread throughout German society. Many recent neo-Nazi attacks have focused on driving out gypsies, who rank equal with Africans and Vietnamese in the far right's lexicon of hatred. Security

sources say that, although there is not yet a central national neo-Nazi organisation, there is increased evidence of regional planning between different neo-Nazi groups. "More and more we see there is evidence of planning together. They are organising on a multilateral level, especially in eastern Germany," the intelligence official said. "Normally," he added, "skinheads are isolated and not organised, but now many are joining these neo-Nazi organisations."

In an interview with *Der Spiegel*, Ernst Uhrlau, head of Hamburg's counter-intelligence service, said: "The right-wing trail of death has only just begun." The movement from the right could change German society more fundamentally than did the 1968 riots by student radicals, he added.

There is widespread concern that some neo-Nazi groups have secret caches of guns and other weapons hidden in a network of safe houses and arms dumps. The guns are often obtained from departing Soviet soldiers — an AK47 assault rifle can be bought for the equivalent of £160 — or were dug up from second world war battlefields in eastern Germany after unification.

"Many neo-Nazis possess arms, but they do not use them in their attacks," one intelligence official said. "There is a difference between throwing a molotov cocktail and staying anonymous and seeing the results when you point a gun. But they are all potential murderers."

The CO-OPERATIVE BANK

BASE RATE CHANGE

With effect from the close of business on Thursday, 17th September 1992
Co-operative Bank Base Rate changes from 12.00% p.a. to 10.00% p.a.

CO-OPERATIVE BANK PLC.
PART OF THE CO-OPERATIVE MOVEMENT
1 Balloon St., Manchester M60 4EP Tel: 061 832 3456

Standard Chartered

Base Rate

On and after
17th September, 1992
Standard Chartered
Bank's Base Rate for
lending is being decreased
from 12.00% to 10.00%.

Standard Chartered Bank
Head Office: 1 Aldermanbury Square, London, EC2V 7SB
Tel 071 280 7500 — Telex 885951

National Westminster Bank

National Westminster Bank
announces that
with effect from
17 September 1992
its Base Rate
is reduced from
12.0% to 10.0% per annum.

All facilities (including regulated consumer credit agreements) with a rate of interest linked to NatWest Base Rate will be varied accordingly.

National Westminster Bank Plc
41 Lothbury London EC2P 2BP

Barclays Base Rate Change.

Barclays Bank PLC and
Barclays Bank Trust Company Limited
announce that with effect from
18th September 1992 their Base Rate
is decreased from 12.0% to 10.0%.



BARCLAYS

BARCLAYS BANK PLC AND BARCLAYS BANK TRUST COMPANY LIMITED.
REGISTERED OFFICE: 54 LOMBARD STREET, EC3P 3AH.
REGISTERED NUMBERS: 1026167 AND 920880.

With effect
from the close of
business on
Thursday 17th
September 1992 and
until further notice,
TSB Base Rate
is decreased
from 12% p.a. to
10% p.a.

All facilities (including regulated
consumer credit agreements) with a
rate of interest linked to TSB
Base Rate will be varied accordingly.



TSB Bank plc, Victoria House, Victoria Square,
Birmingham B1 1BZ.

The CO-OPERATIVE BANK

Managed Overdraft Rate Change

With effect from close of business
on Thursday, 17th September 1992
The Co-operative Bank Managed Overdraft Rates
for small businesses will be as follows:

	% per month
Premium Rate	1.07
Standard Rate	1.27
Non Standard Rate (A)	1.48
Non Standard Rate (B)	1.57

CO-OPERATIVE BANK PLC.
PART OF THE BRITISH CO-OPERATIVE MOVEMENT
1 Balloon Street, Manchester, M60 4EP Tel: 061 832 3456

BASE RATE

With effect from
Thursday 17th September 1992
Coutts & Co
have reduced
their Base Rate
from 12% to 10%
per annum.

All facilities (including regulated consumer credit agreements)
with a rate linked to Coutts Base Rate will be varied accordingly.



Coutts & Co

440 Strand, London WC2R 0QS



Girobank plc Base Rate

Girobank announces that with
effect from close of business
yesterday (17th September, 1992)
its Base Rate was reduced from
12% to 10% per annum

Reg Office: 10 Milk Street London EC2V 8JH
Reg No: 1950000

We're not to blame

German commentator

Josef Joffe on the lessons of the currency crisis

Who deserves to be first in line for the pillory? Mr Lamont, Mr Major, or Herr Schlesinger, the boss of the almighty Bundesbank? To pose the question is like trying to pin the blame on any particular motorist in a multiple car crash.

For politicians it is always useful to mutter "treachery", to target those heinous forces conspiring against the pound from beyond one's own borders. The facts, though, are both more straightforward and profound, and they spell out lessons all good Europeans ought to heed as they look behind the French referendum, indeed, beyond Maastricht.

Lesson no. 1: politicians can fool some markets some of the time, but in the end, the chickens will come home to roost. Of course, Messrs Schmidt (Germany) and Giscard (France), the two co-founders, had hoped that the straitjacket of the EMS would force everybody into fiscal frugality and monetary discipline. But nation-states listen to different gods.

Lesson no. 2: virtue becomes unbearable unless relieved by a bit of sin. In the first four years of the EMS, parties on average were changed every seven months; between 1983 and 1987, realignment occurred once every 18 months. In short, everybody could stay on the wagon because he was allowed to take an occasional sip from the bottle. Since 1987, however, everybody behaved as if realignment were verboten. The result was a monetary earthquake that brought the whole EMS edifice crashing down.

Lesson no. 3: don't put the fox in charge of the hen house. Here, too a bit of history will help to clear the mind. Originally, the idea was that (West) Germany would act as the martinet, meting out monetary discipline to the spendthrifts — Italy, France, the whole lot. Originally, Germany was also ideally equipped for the task. The Bundesbank was the most independent of them all: those 18 stern-faced governors, their hands firmly on the monetary tiller, would keep the Bonn government in line and, by yanking the EMS chain, force the profligates elsewhere to shape up or face the ultimate humiliation of devaluation.

But then came reunification, and that has been the ultimate source of all our troubles. In financing the bill, Helmut (None shall be worse off) Kohl took a page out of George ("Read my lips") Bush's book: no new taxes. The price tag of unity is about DM 200 billion per annum. That has created inflationary pressures — around 4 per cent, still not much by British standards. But in German eyes, 4 per cent looks like the prelude to Armageddon-on-Rhine.

Hence, the Bundesbank stepped in — like those Wall Street computers programmed to buy and sell on the basis of pre-set benchmarks. The bank, to be sure, was only obeying built-in orders: when faced with fiscal irresponsibility, jack up interest rates and hold down the money supply.

Towering German interest rates, of course, have put an unbearable strain on everybody else. The Bundesbank message was: raise your own rates or devalue — no matter whether France or Britain, facing real recession, could have used a hefty dose of monetary relief. What was John Major to do? Kill all chances of recovery or unliking from the tyranny of the deutschmark — as the United States did long ago?

The moral of the story: the EMS, a rickety construction to begin with, cannot work if the German martinet cannot live by the fiscal discipline he is supposed to impose on the rest of Europe. Hence, there is method in the current monetary madness: if we cannot hang together, it is better to hang loose.

But all is not lost. More than French anti-Maastrichtism or the Danish "no", this EMS earthquake should teach all good Europeans humility — for the sake of Europe. The nation states of Europe are a long way from a common economic policy that would allow for a common monetary policy. Let's not chase impossible dreams. We can build a better single market without a single currency; indeed, a bit of monetary freedom will help us. Thus the EMS collapse may turn out to be a blessing in disguise.

The author is editorial-page editor of the Süddeutsche Zeitung, Munich.

The devaluation of sterling has cleared the way for a swift British recovery, argues Anatole Kaletsky

Happy days are here again

Millions of Britons woke up this morning to read with horror about the devaluation of sterling, the utter collapse of the government's economic policy, the personal humiliation of the Prime Minister and Chancellor, and generally Britain's relegation to the third league of banana republics. But what will these dreadful events mean to the man in the street? Here are a few suggestions.

By this time next year Britain will have the fastest growing economy in Europe, and after Japan probably the strongest in the industrialised world. Interest rates will be down to 6 or 7 per cent and unemployment will be rapidly falling. House prices will be rising at 5 or 6 per cent annually, roughly the same as the growth in earnings. The balance of payments will have improved by several billion pounds despite the strength of the economic recovery. And inflation will be at or below 3 per cent.

These may seem insane predictions. But a key rule of thumb

about the government's economic pronouncements must be recalled: simply put a "not" before any statement made by the Chancellor, prime minister or one of their economic advisers, and you will have a good idea of what is actually going on.

That certainly seemed to be the message from the 100-point rise in the stockmarket yesterday morning. And even the foreign exchange markets were not nearly as savage with sterling as might have been expected. Although the pound fell sharply in the morning, it rallied strongly when the Bank of England announced a two-point cut in interest rates. These, it will be remembered, had been raised to support the pound on Wednesday in accordance with the rule of "nots". When, later in the afternoon there were rumours of another rate cut, the pound again rallied. It then fell back

sharply again when word got around that the Treasury was planning once again to support by re-entering the ERM.

The case for a rapid recovery rests on solid economics. There are essentially two ways of pulling an economy out of deep recession: by cutting interest rates or increasing public spending. When sterling was in the ERM, the interest rate weapon was unavailable because Britain was broadly tied to German rates. The government was understandably reluctant to keep increasing public spending, partly because of ideological convictions, but also because recession had already swelled the public deficit to a daunting £30 billion a year. As a result, economic policy was completely stymied and all the Chancellor could do was dream about "green shoots".

Since 7pm on Wednesday the situation is the other way round.

There is now no arbitrary limit on the government's ability to cut interest rates. The only rational constraint on how low interest rates could fall is the government's desire to keep putting downward pressure on inflation. But never in the last 30 years has Britain faced less of a threat of inflation than it does today. Union militancy is non-existent and wage rises are at record lows. Nevertheless, inflation always remains a potential problem and the government now has a perfect way of demonstrating even greater vigilance than before.

For a conservative government the best way of controlling inflation is always to squeeze public spending. The interest rates alternative ensures that the suffering is borne by private industry, while government is entirely exempt. Politically, reducing public spending can often be

difficult. But the collapse of ERM membership offers the government a once-in-a-lifetime chance. The nation's desire for lower interest rates is now so intense that an extremely tough public spending round would readily be accepted as a *quid pro quo*. Even such previously unthinkable ideas as freezing public sector wages and suspending the indexation of non-means tested social security pensions and pensions would surely be acceptable in exchange for a cut of 3 or 4 per cent in interest rates and a guarantee of further action if required to restore economic growth.

With the curse of the ERM lifted, and the economy in deep recession, there are only two conceivable reasons why the Chancellor should not announce another cut in interest rates of two or three percentage points on Monday morning.

One is a residual fear about what would happen to sterling. Amazingly enough, there are people in the Treasury, perhaps even including the Chancellor, who have not had enough of bantling the markets and arguing with the Germans. They want as soon as possible to come back for more. But their voices are unlikely to be heeded, for reasons of simple political survival. Whatever the Cabinet may say about rejoining the ERM Mr Major knows that trying to pour another bottle of his quack medicine down the nation's gullet would probably cost him his job.

The other possible reason for not slashing interest rates immediately is crass political cynicism. Mr Major may want to put the longest possible gap between the defeat of his policy and the obvious economic benefits that can now follow from his humiliation. If a few thousand more jobs, businesses and homes are lost in the meantime, Mr Major has already shown that he considers this "a small price to pay" for never admitting a mistake.

With one bound, freedom

Simon Jenkins rejoices at the forthcoming return of sanity to European politics

The news is good. The right thing has been done. The price for sterling has been determined where it should be, in the currency market. The British cabinet has accepted that such prices should not be fixed in the foggy corridors of the Treasury or Threadneedle Street. That is the merry road to hell. So Heaven reserves special joy for the sinner that repenteth.

There will now of course be much nonsense talked. It will be talked, mostly by those who encouraged first Margaret Thatcher and then John Major and Norman Lamont down this foolish road. The case for a ritual resignation of a Chancellor has never been weaker. This was the policy of a true coalition: Labour and Liberal leaders, businessmen, Whitehall officials, diplomats, the pundits of the financial press. Now those same voices are speaking of humiliation, that Mr Major's "heart of Europe" strategy is dead. They return to the exhausted metaphor heap and pull out of it, Britain is the second eleven, the off-shore island, the outsider. The train has been missed. The plane is taking off without us.

Economics is an art not a science. We each take pleasure from our favourite among its myriad pictures of the world. There has been an awful inevitability about the past five years. Britain had to align itself in some degree with other European currencies or be seen as beyond the pale, a pale within which there were real free-trade benefits to be had. Yet from Nigel Lawson's notorious pegging of the pound to the mark in 1987, through ERM entry in 1990 to grim nemesis in the markets this week, re-floating was a matter only of time. Mr Lamont was thus left a creature of circumstance, a Tolstoyan general cir-

cling aimlessly, his horses trapped in mud. His resignation would be rough justice indeed.

Alan Walters could be forgiven some glum satisfaction on the radio yesterday, remarking that since 1987 this was "a crisis waiting to happen". And Mrs Thatcher, she who yielded to Mr Lawson in the cause of cabinet unity (what bitter irony), she too must be allowed her smirk. We are back, as Professor Walters said, to where we started in the mid-1980s.

There are worse places to be. I cannot believe any but the most madcap Euro-enthusiast could now doubt that the Community's path from the Single European Act in 1986 to Maastricht has been a disastrous one. To say that European union must maintain its forward momentum or the whole project will falter is rubbish, the philosophy of the learning. The 1992 single market for goods and services was to be the finest construct of international collaboration at least since the creation of Nato. Nothing, simply nothing, was more important than that.

Mr Major's presidency was to see its coronation, a festive round of demolished border posts, generous quotas for Eastern European trade and a Gatt round admitting the poorest nations to the rich markets of the West. For this Mrs Thatcher signed the Single European Act and rightly accepted the disciplines of majority voting. For this new members from central Europe were to be admitted to the EC. Yet how much time have Mr Major and his fellow leaders spent on encouraging the halting 1992 venture?

The wise statesman knows that sound supranational agreements arise circumstantially. They are the servants of economic or military need, not its master.



Therein lay the strength of Nato. Make supranationalism an end in itself and it collapses. This week's small earthquake brought about just such a collapse.

The result is wholly salutary. One effect is to diminish the glare of the French referendum. The money market shock that would have resulted from a French no is forestalled. The markets, not exhausted Ecofin ministers, can take the strain on Monday morning. However France votes, Maastricht is surely

ly a ruptured appendix. John Major remains its official surgeon. He should be able to operate with a steadier hand now that his prestige is no longer absurdly on the line with sterling in the ERM. He must swiftly restore his domestic morale by a further cut in interest rates and again let the currency markets take any resulting strain.

The ERM is not dead but is redefining itself as a deutschmark zone, from which Britain is well to be free.

What is more important is that sanity can now fight its way back onto the European agenda. Governments that so wish can pursue their own route to economic health or damnation, answerable to their own electorates. They will be helped to health more effectively by the EC if the EC sticks to the unfinished business still in hand: reforming its farm and regional subsidies, cutting border controls, cutting tariffs and achieving the single market. Ministers forced week-in

week-out to protect fixed ERM parities have lost domestic support vital to maintaining internal economic discipline: witness the Italians, the Swedes, the French, even the Germans. Britain is not alone in the "humiliation" brought on by this excess of EC supranationalism. But Britain has at least broken a little free, as it broke free of the social chapter.

American diplomats have of late taken to ridiculing Europe's inability to act collectively, citing the Gulf, Yugoslavia and Gatt as miserable instances. They are right. The fault lies with Europeans who still suffer from the Chateaubriand complex, who pretend that modern Europe can be forced into one nation with one political will. It is rightly becoming a free trade area, with the collective discipline that implies. It may yet find the ad hoc structures for joint security. But one political entity it is not and never will be. That is what is illiterate about the Maastricht treaty, an illiteracy sensed by electors across Europe.

Most British leaders have appreciated this. That is why Britain has seemed a "reluctant European" at times when the consensus in the chancelleries of Europe has been naïvely supranationalist. It is also why, in moments like the present, it is easy to portray Britain as vacillating and directionless. But after this week, John Major can bring to what remains of his presidency the same pragmatic realism he brought to the pre-Maastricht argument. He has been through the fire of an unsustainable monetary federalism. He has lived to tell the tale.

International relations are inherently opportunistic. A politician's job is to keep open his freedom to be opportunistic. The best news this week is that Britain has regained a little of that freedom. But goodness, what a business! As Virginia Woolf remarked on reading history: "So much energy wasted, to believe in something so spectral." And to so little effect.



...and moreover
ALAN COREN

I am being groomed for stardom. Any day now, producers will be chasing me round casting couches. Minor producers maybe, chomping on Mannikins and glancing at Timex Oysters as they chase, and sending me home in a stretched Lada when they have done with me, but producers nonetheless. Whether I shall end up turning handsprings between the cheering tables on my way to the Oscar podium remains to be seen, but you never know your luck: George Raft started out at 10 cents a dance and Sean Connery at 10 pence a bottle. I am, after all, younger than Paul Newman, and as soon as my new smile has been delivered he may well feel he has no professional alternative but to concentrate on the salad-dressing side.

We shall come to the smile later: I mentioned it too soon. You make mistakes in this business, there is a lot of heartbreak in this town. Let me begin at the beginning: when I woke up this morning, there was a letter on the mat from an organisation called Celebrity, describing itself as an "independent group of companies specialising in talent". Naturally, when I saw their address was Star House, Star Street, my heart went pit-a-pat. I have waited a long time for my big break, but little did I know, dear reader, that there would be strings attached. Not least the one stretching between my mouth and the doorknob.

I do not know what brought me to the attention of this top-notch showbiz agency, though I suspect it may have been my report to

you, last Friday, of my appearance in a theatrical moustache. Here, cried the guys at Celebrity, is someone prepared not only to thespian in public, but also to muck about with his God-given face in order to do it. Maybe we should get our people to talk to his people.

I also deduced this in part from their letter. For although it did not exactly offer me any leading roles as yet, it suggested that I might benefit from getting my teeth fixed. "Many people in the public eye are concerned about their appearance, and in particular their smile when appearing on camera. Cosmetic dentistry can be expensive, but we can confirm that the Cosmetic Dentistry Clinic utilises the very latest in dental technology without charging Harley Street fees." It was then I noticed that the envelope was not yet empty. I shook it, and something fell out: not, to my surprise and, I confess, slight chagrin, a Hollywood contract, but a glossy brochure from the Cosmetic Dentistry Clinic.

They did not charge Harley Street prices, it transpired, because they were not in Harley Street, they were in Southwick Street, which is just behind Paddington Station. Nothing wrong with that. It is the line on which Brief Encounter was made. It was doubtless how Trevor Howard got the part: popped into the CDC, ran round to David Lean's house, flashed his new smile, and that was that. It was a corking brochure, lots of snaps of before-and-after mouthwear, plus two of denticians Barlow and Manku,

and the kindly injunction to "allow us to help you obtain the smile you have always wanted". You work out the smile you have always wanted, they suggest, by holding a mirror 12in from your face, smiling at it, and then answering the ten questions appended. When you have answered them correctly, however, they do not send the smile round, you have to go to Paddington to collect it. The procedure is simple: you show them a credit card, whereupon they embark on a number of techniques, the brochure description of which is so reassuring you find yourself doing no more than crossing your legs and whimpering.

Nor was this all. Inside the brochure which had been inside the letter inside the envelope, not unlike a riddle wrapped in a mystery inside an enigma, was a little folder with "Rembrandt" on the front. Rembrandt turned out to be something called "a whitening toothpaste" (as opposed, presumably, to all the blackening toothpastes on the market) and the folder contained a titchy tube of it. Whether you were supposed to use it beforehand to help assess the smile you wanted, or afterwards to enhance the smile you'd just had built, they did not say. Personally, I didn't touch it, having seen a number of Rembrandts in my life, in none of which the teeth were anything to write home about.

I just sat there pondering on this strange bedfellowship and, were I to take advantage of it, how long it might be before Spielberg called.

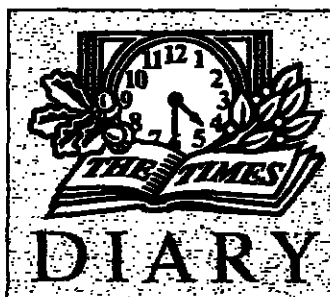
Schlesinger's schadenfreude

NORMAN LAMONT's humiliation is unlikely to be met with much weeping and wailing in the Bundesbank. Even before the turmoil of the past few days and the ultimate, degrading climb-down, European finance circles have been full of gossip about the deep personal animosity between Helmut Schlesinger, the Bundesbank president, and the British Chancellor. The mutual respect that finance ministers and central bankers are supposed to enjoy has long broken down between the two men, says one prominent economist. "Every time Norman Lamont produces a rabbit from his hat the Germans come along and run it over."

Small wonder that all that was left to the Government and the Bank of England yesterday was to rage at the perfidy of the Bundesbank and the gnomes of Frankfurt.

Although it was never reported at the time, Schlesinger was so furious with Lamont's "whining" about German interest rates at the finance ministers' recent meeting in Bath that he threatened to walk out and had to be physically restrained from doing so by Theo Waigel, the German Finance Minister. Schlesinger is also known to delight in repeating the words of one economist: "When Lamont speaks, the markets yawn. Every time Schlesinger opens his mouth sterling falls another two pence."

Earlier this week Lamont reportedly instructed Robin Leigh-Pemberton, governor of the Bank of England, to ring Schlesinger and remonstrate with him over his comments. Apparently the Chancellor could not bring himself to



speak to the Bundesbank president personally.

The finance ministers and central bank governors will no doubt manage a show of solidarity when they meet in Washington on Sunday. But if there should be a figure other than Lamont in the British seat Herr Schlesinger is unlikely to be able to hide his smile. He will certainly have had the last laugh.

Should Norman Lamont shortly be seeking fresh employment, he has a job offer to hand. Lord Sutch, of the Monster Raving Loony party, who claims to recognise a kindred spirit when he sees one, yesterday invited Lamont to join him in his pantomime Robinson Crusoe this winter. Lamont has been offered the part of the captain of the boat — named The Floating Pound — which hits the rocks. "For £2,000 a week plus expenses he will have to wear a pirate outfit with a culture perched on his shoulder and sing a few verses of 'You've Got to Pick a Pocket or Two'."

Cold discomfort

IF Norman Lamont is on his knees perhaps he should consider offering up a prayer or two to St Lambert of Maastricht, whose feast day was yesterday. The bishop of that formerly inoffensive Dutch town from 668 to 674, Saint Lambert spent his life resisting the usurpa-

tions of continental dictators until he could hold out no longer and was overthrown by the tyrant Ebroin. He went on to live as a monk for seven years at the Benedictine abbey of Stavelot before being recalled as a bishop by King Pepin of Herstal. St Lambert was murdered in 709 when he scolded King Pepin for taking up with a concubine called Alpais. His body was later moved to Liege. Like Lamont, St Lambert knew how it felt to be left out in the cold. One night at the abbey he rose to make his silent devotions when his wooden sandals fell to the floor with a thud. He was sent barefoot wearing only a hair shirt into the wilderness.



as a penance and was recalled, covered in snow and half frozen, after four hours.

Popcorn polls

BRITISH opinion pollsters, still smarting from their general election fiasco, could learn a thing or two from the purveyors of Clint Eastwood and Bugs Bunny. General Cinema, America's biggest chain with 1,400 movie houses across 29 states, is asking cinema goers who buy soft drinks which

candidate they favour in the US presidential race. In the ultimate straw poll the purchaser is then given a Republican or Democratic drinking straw depending on political persuasion. Results are fed back to the company's headquarters and then a daily update of the aggregate vote is posted in cinema foyers across the union. The poll has predicted the winner in every election since 1968 and last time came within 1.3 per cent of the exact vote. The current General Cinema figures put Bush at 45.5 per cent and Clinton at a winning 54.5 per cent. You read it here first.

Fast and last

Paddy Ashdown's speech to the Liberal Democrat conference yesterday was the last drafted for him by Alan Leaman, his right-hand man for the past 10 years. And none has been more difficult. By Wednesday afternoon Leaman was claiming that the speech had already been redrafted 22 times because of the pace of events over the past 48 hours.

The events of Black Wednesday led Leaman and Ashdown to go through several more redrafts before yet another rewrite yesterday morning as interest rates reverted to their original level.

Ashdown will miss Leaman, who is seeking a career in freelance promotional work. He has long been one of the most trusted members of the Ashdown inner circle and was one of the two party apparatchiks in whom Ashdown confided about his extra-marital affair. "I'm very lucky to have him — he knows what I'm trying to say, and can develop my ideas," he said of his aide last year.

"I have enjoyed myself but it is time for a change," says Leaman, sounding in the hour of his departure more like a Lib Dem slogan than ever.



TIME TO REPENT

The prime minister says that Norman Lamont should not be used as an "air-raid shelter". The cabinet has been told that it cannot cover beneath the Chancellor of the Exchequer's reinforced concrete skin and that if any one of the colleagues is to take a direct hit, all must suffer equally.

So be it. Mr Lamont must take his chances, such as they are. Far more important than who is Chancellor is the question: what is the policy? John Major must now channel all the courage he has misguidedly exhibited over the past two years to a new, more humbling end.

He and his Chancellor should admit, initially at least to themselves, that they were wrong, that their policy forced thousands of small businesses into unnecessary bankruptcy and cost a million people their jobs. Then they should change course.

To rejoin the exchange-rate mechanism, as Mr Lamont yesterday announced he would do "as soon as circumstances allow", would be to compound past errors. The government must instead embrace the free market: freedom for sterling and freedom of manoeuvre for the Chancellor. He must regain the control over monetary policy and interest rates that he needs if he is to promote non-inflationary growth.

There must be no more sterling crises, no more humiliating losses of control. The only way to ensure that is to let the pound float freely. Such a strategy worked well for ten years under Margaret Thatcher. It works still in America and Japan. The exchange rate can be used as only one of many indicators.

Once the pound is set free, the government can make reduced interest rates its priority. Nothing else will restore the confidence needed to initiate economic recovery. Interest rates can safely be used to encourage growth rather than to restrain

inflation, as long as public spending becomes the counterbalance. If rates are to be cut, so must expenditure, preferably current rather than capital spending. A public-sector pay freeze would be a start.

This policy happens to be far closer to Mr Lamont's heart than is membership of the ERM. He may have been temporarily persuaded by his officials and his prime minister of the virtues of fixed exchange rates, but they have never been his natural inclination. For those who want villains in this humiliating saga, there is better hunting ground among Treasury officials.

Senior officials managed to convince first Mr Major and then Mr Lamont of the sanctity of the ERM and the pound's parity within it. Both Chancellors were catapulted to the job and lacked the experience and confidence to question the advice they were given. When sterling joined the ERM at the central rate of DM2.95, the Bundesbank warned the Treasury privately that this rate was not just foolish but reckless: it could not last. Treasury officials persuaded Mr Major that the Germans were wrong. Now they have the gall to blame the Bundesbank for causing this week's débâcle.

If Mr Lamont wants to continue in office, he must extract from his top officials a clear indication that they too recognise their errors. If they do not accept that they made a mistake and they continue to advise this Chancellor, or indeed any successor, it is hard to see how the job can be well done.

The economy needs vigorous resuscitation. Interest rates must be cut aggressively until it is clear that a strong recovery is under way. Yesterday's return to 10 per cent was necessary but by no means sufficient to that end. Once the French referendum has resolved the markets' uncertainty, Mr Lamont should have the courage of his old convictions. He may even keep his job.

AGENDA FOR EUROPE

The government has to regain control not only of the economy but of its policy towards Europe. The British presidency of the Community has been thrown off course, not just by money markets but by a series of events, beginning with the Danish referendum, that have left it floundering amid the wreckage of its original agenda. Britain now has to plan not only for a French no in Sunday's referendum and the consequent collapse of Maastricht, but for the threat to its worthier ambitions which have also been largely discredited by the turbulence displayed this week.

By an accident of timing, Britain took over the presidency at a time when ratification of Maastricht was due in all member states. This therefore became the priority. But other policies, pushed aside by treaty obsessions, were of greater fundamental importance: the enlargement of the Community, the conclusion of a successful Uruguay Round, the removal of the final obstacles to a single European market.

All these became politically, though not legally, subservient to Maastricht. Now Britain needs to set itself a new agenda for Edinburgh. There is much to do. Speeding up the accession of Finland, Sweden and Austria ought to be possible if the negotiations are no longer linked to the ratification of Maastricht, as the Lisbon summit insisted. But much damage has been done this week to the EC's reputation here.

The allure of the Community is rapidly fading in most of the current and potential applicants. The EC is seen as a cumbersome bureaucracy not flexible enough to deal with the economic differences of its members, and one which is increasingly at odds with itself and its public over Maastricht.

Other difficulties include the likely stiffer opposition from those countries such as France and Spain which always saw deepening the Community as more important than widening. They will not want a victory for the British school that sees larger

membership as a way of forestalling centralising pressures in the EC. The French government will be wounded in the event of a no vote. Pride and resentment may make it reluctant to agree with the British view.

But French weakness can also be a British opportunity. The Foreign Office should press hard for curbs on the Commission's powers to initiate legislation for the community, for repeal of burdensome legislation that breaches the spirit of subsidiarity and, hard though it may be, for greater flexibility in the Gatt talks. The Americans are ready. Europe must respond.

Britain will need to change gear halfway through its presidency, much as the Dutch did, to rewrite the agenda for Edinburgh. To push ahead with enlargement, still an important goal, the government must insist that deepening Community co-operation does not mean that every country must move forward at the same time on the same issue and at the same speed.

The events of the past week have shown this clearly on monetary policy. Already exceptions have been made for countries not wishing to commit themselves now to common policies, most notably Britain over monetary union and the social chapter. But in areas such as defence and border controls the Community will increasingly see some members wanting to pursue more common policies than others.

New applicants cannot be offered a Europe completely à la carte; but they, and the Twelve, should recognise that the Community will develop more manageably, and better hold its attraction, if it allows this "variable geometry" to correspond to the needs of its members. Maastricht speaks of an "ever closer union". Even if the treaty falls, that is still the ideal. But it is one based on co-operation and self-interest, not on an inflexible strait-jacket. Britain presides over a Community confounded by the events since Denmark voted no. It should reassess its leadership.

SIGNED BY THE TSARS

One of the world's most enduring mysteries may be on the verge of resolution. If forensic tests which began yesterday at the Home Office's Aldermaston laboratory prove positive, we shall know at last the fate of the Russian royal family, presumed murdered by the Bolsheviks in 1917. Their bones, brought to Britain in an old airline bag and displayed to the press yesterday, may finally be allowed to enjoy a Christian burial.

In an age when scientific advance is often taken for granted, there is something awe-inspiring about this prospect. From a few pathetic fragments dug up from a pit in the forest near Ekaterinburg, the analysis of DNA may produce certainty where hitherto there has been only the fog of hearsay and Soviet-filtered history. When Francis Crick and James Watson deduced the structure of DNA at Cambridge in 1953, even those two self-confident characters could not have believed that in their lifetimes it would provide a scalpel to probe into the past.

In Mark Twain's novel, *Pudd'n-head Wilson*, the eponymous hero meditates on the qualities that men carry with them from cradle to grave, marks that do not change and by which he can always be identified. "These marks are his signature, his physiological autograph, so to speak, and this autograph cannot be counterfeited, nor can he disguise it or hide it away, nor can it become illegible by the wear and mutations of time... this signature is each man's very own — there is no duplicate of it among the swarming populations of the globe."

Mark Twain is writing here of the fingerprint, then newly demonstrated as the basis of an infallible identification system, but his words apply even more cogently to

DNA analysis. There is, though, one important difference: the grave provides no obstacle to the DNA detectives, who can reach back into the very beginnings of time to pluck out their information.

Already they have taken a new look at the Egyptian mummies, and isolated DNA from bees preserved in amber 25 million years ago. The hairy mammoth, frozen to death in a Siberian swamp, can be anatomised in his absence by the patterns of his DNA. The slow evolution of mitochondrial DNA, which passes only through the maternal line, has been used to produce the seductive theory that we are all descended from a woman who lived in Africa millions of years ago, though revisionists now argue that this thesis is rather too good to be true.

More recent history can also be turned round by the forensic scientist's skill. In Argentina, where hundreds of children were left orphaned by the murder of their parents by a military government in the 1970s, DNA analysis has been used to re-unite at least 50 of them with their grandparents. The commemoration of another war with a tomb of an unknown warrior, known only "unto God", may have become impossible. DNA analysis will enable any fallen soldier on the battlefield to be identified.

The most potent application of the technique, however, comes in the studies of human society. Theories of the spread of language, of agriculture, or of the races of man can now all be put to the acid test. By analysing the ebb and flow of genes across the continents, humanity will understand its own past more precisely than even the most demanding historian could ever have wished. History is at last becoming an exact science.

LETTERS TO THE EDITOR

1 Pennington Street, London E1 9XN Telephone 071-782 5000

Post-mortem on the day that sterling hit the exchange-rate floor

From Mr Howard Epstein

Sir, Now that it is clear that our government has totally ruined the economy, it is hard to see who or what they can blame. Not, surely, the unions, for they have been enfeebled; nor Labour, without a sniff of power for 13 years; nor the "workers", whose productivity, where there is productive capacity left, is good and strike-record even better; nor international forces, for they have not conspired to damage stronger economies; nor shortage of capital, after selling off the state industries; nor lack of liquidity, after the free-flowing of North Sea oil taxation.

Who, then, has erred?

Yours etc,
HOWARD EPSTEIN,
1 Great Cumberland Place, W1.
September 16.

From Professor Richard Dale

Sir, The government's economic policies have failed the nation on a disastrous scale and some examination of the path it has followed is surely justified.

Fundamental economic objectives appear to have shifted erratically. For instance, in the aftermath of the 1987 stock market crash the authorities imprudently hastened to cut interest rates for fear that there might be a slump. Yet now that we are experiencing the worst slump since the 1930s, the government is prepared to raise interest rates.

The government has adopted, and then discarded, a succession of exclusive policy targets. In the early 1980s it was the money supply; in the mid to late 1980s it was the budgetary balance; and until yesterday it was the exchange rate.

At the height of the 1980s boom we were told about the prospects for continuing tax cuts, the defeat of stop-go and the emergence of a miracle economy — language calculated to enthrone consumers and businessmen alike. Then, when the economy moved into deep recession, we heard about the government's determination to eliminate inflation, altogether, to cut government spending and to defend the value of the pound, come what may.

Perhaps the most puzzling aspect of the present crisis is the prime minister's willingness to bet his govern-

ment's future against a deutschmark-pound exchange rate over which he has no control. Perhaps it is not unfair to suggest that he is the biggest speculator of them all.

Yours sincerely,
R. S. DALE,
University of Southampton,
Department of Accounting and
Management Science,
Highfield, Southampton SO9 5NH,
September 17.

From Mr Austin Mitchell, MP for Great Grimsby (Labour)

Sir, How ironic that the Europeans have saved us from our traditional British folly of hanging on to an overvalued exchange rate until we have damaged the economy so much that we make the indefensible totally untenable.

Now that we're back in the real world we should recognise that the pound has some way to fall to a competitive level. We cannot put all our resources back to work until we shed that incubus.

What we should do is: halve interest rates; let the pound find its market level — one where further speculation will be on a rise not a fall; then a clear float as we expand the economy, just as Ted Heath did when he left the European currency "snake" in 1972.

You cannot impose European unity by monetary means. To do so is to misunderstand the exchange rate's role as a market-clearing mechanism. Electorates won't accept bad as a prelude to worse, however stupid their politicians, and to advocate a return to the ERM is a failure to understand what has happened. That system forces us to reward speculation and to damage the real economy.

There seems little point in damaging industry in order to testify to a *communautaire* enthusiasm most of us do not feel. The markets have told us we must rebuild our manufacturing base before we play with the big boys. They're right.

Yours faithfully,
AUSTIN MITCHELL,
House of Commons,
September 17.

From Mr Stephen Mulliner

Sir, The criticism of the Chancellor and the prime minister in their handling of the sterling crisis is

exaggerated. Reluctance to abandon the ERM was laudable and only a tactical novice would suggest that they should have talked or acted differently beforehand. I trust that political wit will ensure that they do not forget to thank Mr Smith and Mr Ashdown for their unflinching rejection of voluntary devaluation.

The prime minister has been wholly right to mount the fiercest possible campaign against inflation and to have used membership of the ERM as a tool to establish an anti-inflationary credo that is unprecedented in this country in recent years. He at least recognises the appalling economic consequences of inflation in the context of a rising proportion of long-lived pensioners within the population.

There is a vital difference between voluntarily adopting devaluation as an easy solution and being forced into it. Only in the latter circumstances can an anti-inflationary strategy retain credibility.

Yours faithfully,
STEPHEN MULLINER,
Widenden, Weydown Road,
Haslemere, Surrey,
September 17.

From Lord Campbell of Alloway, QC

Sir, Lord Boyd-Carpenter's letter (September 16) affords a refreshing reminder of the inexorable law of economics which ordains that, in an export trade balance, demand and supply of goods and services will in the long run be reflected in the exchange rate for the currency.

The Rome treaty envisaged economic revival for Europe, full employment, an enhanced standard of living; not recession in which each state would have to fend for itself at the expense of other member states. The reunification of Germany was not envisaged. The consequences of reunification were not foreseen. If a proverbial spanner has been cast into the financial markets, the exchange-rate mechanism and European monetary union, so be it. At least this assertion of German dominance will have dampened federal ardour and the aspirations of M Delors.

A "yes" vote in the French referendum could give not only a welcome boost of confidence but also some temporary respite for sterling if measures were to be introduced to restore

the balance of trade. As Lord Boyd-Carpenter has truly said "... tying the pound to a strict parity with other currencies is clearly disadvantageous".

I am, Sir, your obedient servant,
CAMPBELL OF ALLOWAY,
2 King's Bench Walk, Temple, EC4.
September 16.

From Professor Gordon Pepper

Sir, Devaluation alone does not work. Devaluation accompanied by control of the money supply does. An immediate adoption of a credible system of monetary control would restore confidence and allow interest rates to come down.

Yours faithfully,
GORDON PEPPER,
City University Business School,
Frobisher Crescent,
Barbican Centre, EC2,
September 17.

From Mr Paul Simpson

Sir, No commercial enterprise would allow the chairman and a director who had so badly managed its affairs to continue in office. If John Major and Norman Lamont do not resign they should be forced out of office by their fellow parliamentarians.

Yours faithfully,
PAUL SIMPSON,
15 Bancroft Avenue, Cheadle Hulme,
Cheadle, Cheshire,
September 17.

From Mr Anthony Pearce

Sir, Of course, all of this could not have happened within a single currency under economic and monetary union.

Yours faithfully,
ANTHONY PEARCE,
Access EIG,
Queen Elizabeth Conference Centre,
Westminster, SW1,
September 17.

From Mr N. S. Sloan

Sir, Can we now have our prime minister back?

Yours faithfully,
NIGEL S. SLOAN,
Annandale,
West Heath Avenue, NW11.

Business letters, page 23

Taxis and minicabs

From Mr Geoffrey Trotter

Sir, The conflict in London between taxis and minicabs (Saturday Review, September 5) cannot be settled on the streets.

Cab drivers are rightly incensed. Taxis must conform to the rigorous standards laid down by the police, but any ordinary citizen can set up in business by using the family car as a minicab. Minicabs now outnumber taxis by two to one; if nothing is done, London's world-famous black cab service will be in jeopardy.

We propose a single-tier licensing system, with all vehicles and drivers wishing to provide a taxi service in the capital having to conform to a single set of standards over a given time-scale. This would involve a levelling up to agreed standards which would be enforced by the Public Carriage Office, ensuring safer, more efficient personal public transport in London.

The minister responsible at the Department of Transport, Mr Steven Norris, is currently considering evidence from a working party which did at least bring both sides together for the first time. There are now clear indications that there is sufficient common ground between the leaders of the two trades to try and solve this problem once and for all.

Yours faithfully,
GEOFFREY TROTTER
(Chairman),
London Taxi Board,
1-3 Brixton Road, SW9.

Private hospitals

From the Chief Executive of BUPA

Sir, Mr George Foster (letter, September 15) said that "anyone reading the report on medical fees and a possible cartel could be forgiven for being puzzled as to where the cartel actually existed".

Totally erroneous information often causes puzzlement. Mr Foster stated that "BUPA owns over 50 per cent of the private hospitals in the UK". BUPA actually owns 29 out of 210 acute private hospitals. By any measure this is neither a monopoly nor anything like 50 per cent of the total.

In addition, BUPA Hospitals Ltd is managed quite separately from the insurance division of BUPA and there is no question of the two jointly determining rates. The insurance arm, BUPA Membership, negotiates with the BUPA hospitals on the same basis as it does with around 900 other hospitals providing private treatment. Similarly, our hospitals have to negotiate with over 20 insurance companies, including BUPA.

There is a great deal of misinformation circulating about the private health sector at present. Hopefully, one result of the Monopolies and Mergers Commission enquiry will be to clear up some of the facts.

Yours faithfully,
PETER A. JACOBS
(Chief Executive),
BUPA, Provident House,
Essex Street, WC2.

Call for UN lead in Somali lands

From Mr Terence Gavaghan

Sir, Contrary to the dreadful evidence of factional infighting in pursuit of national domination, the Somali people are exceptionally homogeneous in ethnic origin, lineal descent, language, territory, nomadic dependence and socio-religious observance.

That pride in their traditional systems has not been eradicated is attested by the continuing respect accorded to clan-family leaders, or *ugas*, who are being utilised by the indispensable voluntary agencies in the field (report, September 1).

The postwar vision of a "Greater Somalia", symbolised by the five-pointed white star on a national flag of United Nations blue, may have faded, but there will remain an imperative need for close co-operation between the separate pieces. If there is not, cross-border conflicts will inevitably flare up between the divided clans, some of which have been

uprooted from their areas of origin and spread across different political entities with divergent interests.

There is need for an immediate and thorough analysis, over the whole spread of Somali-occupied lands, of the indigenous and other local administrative instruments which can offer a framework for control and stability, managed by their own people, in their own way, for their own salvation.

Action to this end might well be initiated and co-ordinated by the new UN department of humanitarian affairs, in close consultation with Somali representatives from all quarters, voluntary agencies in the field and the International Red Cross.

Yours etc,
TERENCE GAVAGHAN
(Chairman, UN commission for the administrative integration of the Somali republic, 1962-3),
62 Hotham Road, SW15.

Animal rights

From Mr Stan Blackley

Sir, Bernard Levin, in "Animal rights and wrongs" (September 10), finds it "strange" that the Australian government hesitates to cull the kangaroo "in serious numbers". This year, I understand, it has licensed the killing of a record 5.2 million kangaroos (over a quarter of Australia's total kangaroo population). The authorities of New South Wales plan to legalise the eating of kangaroo meat. (It is already eaten in Tasmania and Southern Australia.)

Mr Levin also states "that nobody ever suggests eating a monkey, let alone an ape"; yet primates are eaten every day in (among other places) Indonesia and the Philippines. I doubt whether Mr Levin "ranks equal with Leonardo da Vinci, Beethoven and Shakespeare" as he so modestly suggests in Leonardo's words: "The day will come when men such as I will look upon the murder of animals as we now look upon the murder of men."

Yours faithfully,
STAN BLACKLEY
(Assistant Campaigns Officer),
Advocates for Animals,
10 Queensferry Road, Edinburgh 2.

From Mr A. F. Graham

Sir, Mr Levin defended the idea that animals are inferior with a fanaticism to equal the Animal Rights camp-

aigners he condemned. His argument was that animals "are obviously 'lesser' in a real sense — the sense being the place on the ladder of what the creature can achieve". It was better put by Bertrand Russell:

"Organic life, we are told, has developed gradually from the protozoon to the philosopher, and this development, we are assured, is indubitably an advance. Unfortunately it is the philosopher, not the protozoon, who gives us this assurance (*Mysticism and Logic*, ch. 6).

Judging something outside one's standards by one's own standards will naturally lead to condemnation. This is the basis of racism and raises the question how much one may properly exploit the weak.

Yours sincerely,
ADRIAN GRAHAM,
39 Alexandra Road, Epsom, Surrey.

From Mr R. J. Mehta

Sir, It is exactly because human beings are the highest form of life and the only species capable of compassion that they are expected to care for all other lower forms of life, including animals. The ancient Jain religion, which influenced Gandhi in his non-violent movement, extends this compassion even to insects and vegetation.

Yours truly,
RAJNIKANT J. MEHTA,
18 Leigh Court, Byron Hill Road,
Harrow on the Hill, Middlesex.

Shorter hospital stays

From Mr J. H. Scurr

Sir, Shorter hospital stays (report, September 7) should not be associated with a greater incidence of medical claims. Where claims have been made, they are invariably associated with poor patient selection (some patients being unsuitable for short stay or day care surgery), poor surgical technique or inadequate follow-up

arrangements. All these problems and complications are avoidable and should not deter the development of day surgery or shorter hospitalisation. This trend has indeed led to many improvements in patient care, at the same time improving the efficiency and utilisation of resources.

Yours sincerely,
JOHN SCURR (Consultant surgeon),
The Middlesex Hospital,
Mortimer Street, W1.

Herbal remedies

From the President, National Institute of Medical Herbalists

Sir, Your report, "Herbal tea linked with liver deaths" (September 11), raises the serious issue of the need for support and money for clinical research into plant medicines.

Although a quarter of all present-day drugs have a plant origin, most of the medical profession are alienated from this tradition of presenting herbal remedies.

Individual remedies must, of course, be subject to proper scientific scrutiny, but we must beware the undermining of herbal medicine as a discipline in its own right.

Herbal practitioners are guardians of a priceless tradition.

Yours faithfully,
MICHAEL MCINTYRE,
President,
National Institute of
Medical Herbalists,
9 Palace Gate, Exeter, Devon.
September 14.

Europe and BST

From the European Commissioner for Transport

Sir, Contrary to your report of September 5, the European Commission's intention is not to "fix deadlines" for British summer time, nor have I ever said that "Britain might have to come into line with the rest of the EC" in this respect.

My only concern is to propose to the member states measures to ensure harmonisation of the period during which they change their time, in order to avoid confusion in the transport sector and inconvenience for the traveller.

It remains, as it has always been, the responsibility of the member states themselves to decide whether or not they apply summer time and to choose the time they wish. All we are doing is to coordinate at the specific request of member states.

Yours faithfully,
KAREL VAN MIERT,
Commissioner of the European
Communities,
Rue de la Loi 200,
B-1049 Brussels, Belgium.

Booker price

From Mr F. G. Benson

Sir, Since, as your correspondent points out (letter, September 12), the price for each novel on the Booker short list is one irritating penny short of £15, would it not be appropriate for the prize itself to be £19,999?

Yours faithfully,
FREDDIE BENSON,
190 Stockings Road,
Luton, Bedfordshire.

Letters to the editor should carry a daytime telephone number. They may be sent to a fax number — 071-782 5046.

It is acted by all concerned with excellent intentions, but not, we think, quite in the right spirit by all.

BY MELINDA WITTSTOCK
MEDIA CORRESPONDENT

Mr Quinn and Mr Plantin, if hired, will be the first executives in ITV's 37-year history to run the centralised commissioning and scheduling system, which ends ITV's programme supply cartel.



Rainbow rendezvous: Joel Bartley, 10, of Paxdon primary school, Crystal Palace, tests Colourscape, a giant maze of multicoloured, inflated, PVC chambers which, filled by musicians and audience, features in the Nettlefold Festival at Clapham Common, south London

Continued from page 1

Italian sources said there had been tense exchanges between British and German representatives at the com-

Theo Waigel, the German finance minister, said yesterday that it was wrong to blame Germany for undermining confidence in the weaker ERM currencies.

Continued from page 1
emergency debate on the economic crisis.

A simple line drawing of a person's head and shoulders in profile, facing left. They are holding a book with both hands. The book's cover has the text "P.M. SUPPORTS LAMONT" written on it. Below the text is a small graphic of a book with three horizontal lines representing pages. The signature "calman" is written in the bottom right corner of the drawing.

When he was asked how anybody could rely on his word again, Mr Lamont said: "I have not sought devaluation, nor did the Italian finance minister nor the Spanish finance minister, all of whom found themselves overwhelmed by the extraordinary events of the past couple

Full analysis, pages 2-4
Simon Jenkins, page 14
Anatole Kaletsky, page 14
Leading article and letters, page 15
Matthew Parris, page 18
Business Comment, page 23

hall. Silence fell. Beith rose. Somehow the drama of it all had got through. Beith waded his arms. Beith derided the government. Here, he said, was another fine mess they'd got us into. Beith mocked, Beith ad-

know, in its collective folk-consciousness, that an ice-age stretches into the future? And are they digging in, and bedding down for the long winter ahead?

MATTHEW PARRIS

[illegible]

- 1 O. a letter used to spell 'brook' (8).
- 5 Man wearing an alien strip (6).
- 8 Talked at length about plagiarism being denounced (10).
- 9 Nearly but not quite dark (4).
- 10 Contractors enter this too (4,3,7).
- 11 State doctor went ahead and took a risk (7).
- 13 Shall I clean kitchen pans as youth starts to provide sustenance for invalids? (4,3).
- 15 It's hard, what can be held responsible for damage (7).
- 18 Delegates about to frame pressman (7).
- 21 Houri for whom Strelitzka was named? (4,2,5).
- 22 Some animals, not all, are bad tempered (4).

W	A	R	P	A	T	H		J	O	U	R	N	E	
O	E	S	A	A	R	I	O							
R	E	G	I	S	T	R	A	L	G	I	D			
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G	O	S	E	D		Y	O	N	K	E	R			

- 24 Like 'The Tempest', a tale about Milant's leader (6).
- 25 We only do dances without animation (8).

DOWN

- 1 Excellent execution (7).
- 2 He would be memorial – to cast (4-5).
- 3 Setting out the indefinite article (7).
- 4 advance, following army in the rear (4-3).
- 5 Where to put cedilla or accent (9).
- 6 Search revealing smuggled liquor (7).

12 Runner very bad about money in
competition (9).

14 Aristocratic girl's name (9).

16 Going round with a doctor, one
with a medical speciality (7).

17 Salt, one absorbed by weaver (7).

18 Put up round high ball — a help
in the game (7).

19 Bill mountain-climbing with
Jack, perhaps (7).

20 In other words, go without finally
finishing back-cloths, etc. (7).

Concise Crossword, page 9
1. Life, & Times

ECOLOGY

Having to do with light
Pertaining to wallaces
A quaver in the voice
FFED
The Phoenician digamma
Utterable, speakable
Worn out
WINK
To work hard
A swineherd
A meaningful wink

Answers on page 16

AA ROADWATCH

For the latest AA traffic and road works information, 24 hours a day, dial 0636 401 followed by the appropriate code.

London & SE

C London (within N & S Crcs.)	73
A-ways/roads M4-M1	73
A-ways/roads M1-Dartford T.	73
A-ways/roads Dartford T-M23	73

International	73
International motorways	73
West Country	73
Wales	73
Widlands	74
West Angles	74
North-west England	74
North-east England	74
Scotland	74
Northern Ireland	74

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bright, but rain is likely in the evening. England, Wales and the rest of Scotland will start rather cloudy with rain in places. Dry weather with sunny spells should reach much of Scotland, Wales and northwest England during the morning, but northeast Scotland will remain cloudy until the afternoon. Brighter weather will spread slowly southeastwards into other parts of England during the afternoon, but the southeast will probably stay rather cloudy. Outlook: cloudy in the north; mainly dry in the south.

[illegible][illegible]

<p> EXCHANGE RATES Day's spread Austria 18.5249 18.6980 Belgium 54.32 54.67 Canada 2.1141 2.1889 </p>	<p> Greater London 701 Kant,Surrey,Sussex 702 Dorset,Hants & IOW 703 Devon & Cornwall 704 Wilt,Glos,Avon,Som 705 Berks,Bucks,Oxon 706 Saris,Herts & Essex 707 </p>
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Germany	2,8304	2,8587	East Midlands	712
Denmark	2,9734	2,9929	London	713
Italy	2184.00	2264.76	Lochs & Humber-side	714
Japan	215.90	221.32	Dyfed & Pwys	715
Norway	10,5643	10,8006	Gwynedd & Llynys	716
France	2331.26	2329.78	N W England	717
Spain	162.00	167.10	W & S Yorks	718
Sweden	9,7399	10,0110	N E England & District	719
Switzerland	2,2578	2,3258	Cumbria & Lake District	720
		1,7300	S W Scotland	721
			Central Scotland	722
			SE S Fife/Lothian & Borders	723
			Lothian & Borders	724
			Grampian & S Highlands	725
			N W Scotland	726
			Caithness, Orkney & Shetland	727
			N Ireland	728

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Weatherair is charged at 36p per minute (cheap rates) and 45p per minute (peak rates).

London 7.08 pm to 8.42 am
Bristol 7.17 pm to 5.32 am
Edinburgh 7.22 pm to 5.53 am
Manchester 7.17 pm to 5.50 am
Penzance 7.29 pm to 7.04 am

Yesterday: Temp: max 6am to 6pm, 21C (70F); min 6pm to 6am, 13C (55F). Humidity: 6pm, 73 per cent. Sun: 24hr to 5.38 pm, 24hr to 5.38 pm, 6.58 hr. Bar: mean sea level, 6pm, 1,015.5 millibars, rising. 1,000 millibars=29.53in.

Sun rises: 8.41 am
Sun sets: 7.08 pm

Wednesday: Highest day, Northolt, Greater London, 21C (70F). Lowest day, Wick

Last quarter tomorrow					This quarter tomorrow				
	AM	HT	PM	HT		AM	HT	PM	HT
TODAY	8.01				TODAY	8.11			
London Bridge	8.01	8.16	8.16	8.16	Liverpool	8.11	8.16	8.22	8.23
Aberdeen	5.58	3.8	5.54	3.7	Margate	1.00	4.05	4.12	4.16
Cardiff	11.11	11.20	11.20	11.11	Worms	10.10	10.10	10.10	10.10
Belfast	3.05	3.25	3.25	3.05	Newbury	9.12	6.1	6.39	6.40
Newcastle	10.59	10.70	11.20	10.40	Pennance	6.32	3.4	10.0	10.0
Dover	4.48	4.8	4.9	4.7	Portsmouth	8.11	8.11	8.11	8.11
Exeter	2.45	6.2	6.02	6.2	Portland	10.51	1.8	1.3	1.3
Edinburgh	5.00	4.5	4.9	4.9	Sharnbrook	3.25	4.4	3.38	4.3
Glasgow	5.07	4.8	4.82	4.8	Stamford	10.10	10.10	10.10	10.10
Hawthorn	3.57	3.8	4.12	3.8	Thames Valley	8.11	8.11	8.11	8.11
Leeds	3.07	3.8	4.12	3.8	Wokingham	8.11	8.11	8.11	8.11

King's Lynn	10.34	5.9	10.52	7.9	10.75	10.17	8.4	10.42	4.5
Leith	8.54	4.8	7.29	4.8	W T on Ice	7.52	4.8	8.21	4.8
						3.49	3.9	4.05	4.0

Tide in metres: m=2.28001.

NOON TODAY

Information supplied by Met Office

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LIFE & TIMES

FRIDAY SEPTEMBER 18 1992

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3

Setting up the old girl network

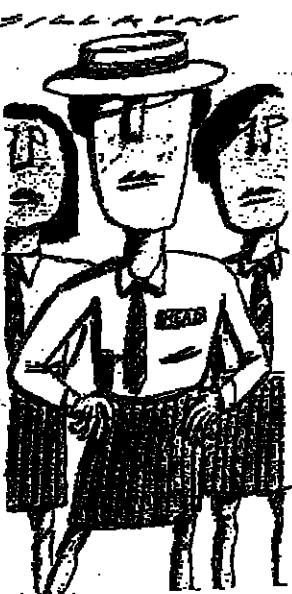
The leaders of tomorrow are on an obstacle course today

By mid-morning today the largest gathering of independent school head girls the nation has ever seen will be crisscrossing each other through tyres suspended three yards above the ground in order to get to know themselves and each other better.

Then, born leaders to a girl, they will form teams to rescue each other from an island 50 yards from the shore, guide each other across five "snake infested" yards without touching the ground, play blindfolded croquet and form skiffle groups — "From scratch," says Jill Clough, the headmistress of the Royal Naval School for Girls in Haslemere, Surrey, which is hosting this year's Head Girls' Conference (Southeast Cluster).

She and Miss Meadows, the resident senior mistress and very strong in the Guide movement, have devised the tasks as practical self-assessment exercises which can be managed only with a fair amount of bodily contact. At noon, the girls return to base for another anxious moment, the feedback session, for while they have been assessing themselves, they will also have been assessed by members of staff.

The conferences, now in their third year, were devised by the Girls' Schools Association to encourage the leadership and networking which serve boys so well in later life.



and have become so popular that this year the head girl from Farlington, West Sussex, had to be turned away.

Programmes vary, but always deal with achievement and contacts. This year girls will be put into teams according to geographical areas so they can meet and form their power groups for the future. This is in line with the philosophy of the guest speaker, Geraldine Bowen, the president of the European Women's Management and Development Network, "who, you might like to know, has pink or purple hair," Dr Clough says. After a three-hour lunch, during which it is hoped friendships will be forged, she will address the girls on the topic, "Are You at Your Best?"

Last year the southeast conference was hosted by St Teresa's Convent School in Dorking, Surrey, where Leslie Allen, the headmaster, opted to inspire the girls with role models such as Esther Rantzen, Claire Troy, then head girl, says it was very valuable. As to women she now admires and considers role models, "I can't think of any at the moment. I can't say I have any. No."

"What has interested me," Dr Clough says, "is what happens to head girls when they leave school? They have a natural advantage, but don't necessarily know how to use it."

So 100 of them are assembling today for some testing bodily contact, to consider themselves at their best and to exchange addresses.

BARBARA TONER

The id and the alter ego

What's a monster like Dame Edna Everage doing in a nice man like Barry Humphries?

Barry Humphries? Dame Edna gives her grimace of dismay. "In many ways he is a sad figure. I know he helped me in my career, but he still claims that he created me, and now he's trying to push himself forward. I shall not give his life story any publicity. I don't think it's very edifying. A dissolute saga. Dissolute. Broken hearts, too... I shall do nothing to publicise his book. Nothing more than hold a public book-burning next week."

Dame Edna was at the Savoy, holding forth with her usual panache in pink sequinned Chanel about her new game show, *Dame Edna's Neighbourhood Watch*, which starts on ITV tomorrow (8.50pm). Meanwhile, Mr Humphries was elsewhere, "cringing" with uncertainty about his

THE VALERIE GROVE INTERVIEW



autobiography, *More, Please*, published on Monday by Viking. "I am not, Valerie, a shrinking violet," he says, "but the autobiographical mode is very naked."

How useful it must be to slip into another persona, the antithesis of oneself. Mr Humphries is a substantial fellow in three-piece suit and fedora, sober, polite and circumspect. After "a certain amount of wrestling with the partyhose" Dame Edna Everage sashays forth, oozing outrageous remarks. The Humphries book does much to explain, rivetingly, the enigma behind the two.

"I always wanted more. I never had enough milk or money or socks or sex or holidays or first editions or solitude or gramophone records or free meals or real friends or guiltless pleasure or neckties or applause or unquestioning love or persimmons..."

That says it all, really, about the greed, avidity, and excess in Mr Humphries's odd life: childhood as a spoilt darling among prototypes. Ednas in suburban Melbourne, bookish adolescence; highbrow artistic youth; middle years all but lost in drunken oblivion. The book also explains why he is forever just off to his dentist in Wimpole Street. "I spend an enormous amount of time at the dentist," he says, "twitching at the prospect of the needle in the gum. My teeth are constantly being replaced." His harrowing dental history goes back to the home-made brace his uncle Jack fitted when he was a boy.

"He is such a happy little man," cooed his mother in her Baby Record. "He never cries. He plays all day long." Family snaps show a plump child, beaming at the counter of "Barry's Shoppe", built by his doting builder father. Barry had only to climb a tree for his father to design a tree house, with telephone. "I was terribly spoilt," he says, "and this made life terribly difficult for me." His three younger siblings barely had a walk-on role.

Refinement and gentility were the keynote. He was a Fauntleroy among barefoot boys at school, in blue Aertex shirts, fawn socks and leather sandals. At midday his father would drive him home for lunch with nanny on the lawn. His first and favourite nanny, notably, was called Edna. She disappeared one day, without explanation or farewell.

But it was the tea-rooms of Melbourne, hushed places with leaded windows, curio ledges and multi-tiered cake-stands, that offered him the chance to observe the Edna species amid the clink of spoons on sundae glasses; here housewives gathered in floral print frocks, exposing their "bye-byes" (the flaccid, wobbling triceps) as they waved bye-bye.

Would anyone be entertained to read about a Melbourne childhood? Mr Humphries wondered. But suburbia, and gentility — and oppressive Sundays, when his parents usually "had words", and the roast was cooked to an unappetising shade of grey (as he still prefers it) — are universal. He evokes it all vividly. "There is a communal memory, just as there is a communal humour. If you stand on stage and share your view of the world, people will connect with you. And it's the same with childhood memories."



"I am not a shrinking violet, but the autobiographical mode is very naked": Barry Humphries considers the possible dangers of revealing the man behind the frock

Incipient artists are cuckoos in the nest. Barry would win at his mother's tidy, respectable home, compared with the bohemian houses of more cosmopolitan boys at Melbourne Grammar, with their chamber music and garlicky food and old, secondhand books. (You never knew where they had been, his mother sniffed.) "Eric and I don't know where Barry comes from," his mother used to say, as he grew his hair and affected Turkish cigars and made his escape to perform Dadaist cabarets for the Sydney "push", the raffish fraternity of dropout academics, poseurs and poets in the 1950s.

Then came the drunken years, and the most confessional passages in his book. In London, in Lionel Bart musicals and with Spike Milligan in *The Bed-Sitting Room* it was touch and go whether he'd stagger on stage in time, in a muck sweat, hair plastered to scalp. He never knew where he would wake each day, or where he'd been last night: each day would begin with "Never again", but after a Fern-Branca he would start again.

"I was", he now says, "in a state of denial. I'd be thinking, that chap over there must be an alcoholic; shouldn't he be at home with his wife? One is really oblivious to one's own nature, deluding oneself that is a manifestation of the chemical dependency, which alcoholism is. For 20 years it was like living with the handbrake on. Although I did a huge amount of work, there was this inhibiting thing which I didn't understand. So once that was out of my

'I always wanted more. I never had enough milk or money or socks or sex or solitude'



"In many ways he is a sad figure": the dame on her creator

life I sort of surged ahead. Now, if one gets a bad review, or a show folds, one can take it because at least I know I've done the best I can. In the 1960s I was always wondering, did I get away with it? Did anyone notice? Did I manage to pull that off? So of course one had to work a million times harder, pouring in immense energy just to get through the day."

Only later did he admit to himself how much of the Barry Mackenzie cartoon strip in *Private Eye*, which first made his name, was autobiographical. Wives and mistresses who deserved better than "the sporadic companionship of a dissolute, guilt-ridden, self-obsessed boozier", were long-suffering. "I must remember I have a family," he would tell himself; but wife number two took the daughters away, leaving him with "that dull ache of loss."

His life became more and more unmanageable; he landed in a psychiatric ward. He recalls that when he was rescued by Alcoholics Anonymous, he asked his doctor what he would do with his time.

"Drinkers spend a lot of time — hours — at it. So they can't imagine how they will fill in all that time when they're not drinking. And the doctor said, well,

there's things like gratitude, and concern for others..."

Getting unmarried, he reflects, is painful and expensive. "There is nothing like a divorce. Whoever is right or wrong, it is a bit like floods in Florence, it flushes money out... one is a few alpacas the less." His daughters, actress Tessa and painter

Emily, are grown up; the two young sons, Oscar and Rupert, live with their mother, Diane Millstead, in Beverly Hills.

The self he now glimpses in shop windows is "a middle-aged man, dewlapped and disconsolate", but at 58 he has settled down with a fourth wife, the beautiful Lizzie Spender, writer daughter of the poet Sir Stephen. They married two years ago in Spoleto. In Sir Stephen's absence the composer Gian-Carlo Menotti gave the bride away. "My father-in-law, this poet," Mr Humphries says, "sometimes gives a glazed look, and I realise that I am talking to him when he normally watches *Neighbours*, which gives a more accurate picture of Australian life than any novel."

Re-living his childhood for the book left him dejected. He remains a worrier who always wants to know exactly where his loved ones are going, even shopping; and he is doubtless hard to live with, as geniuses are, but he seems to me less strange than he used to be. Ms Spender, who accompanied Dame Edna to the Savoy this week, glows contentedly.

His book, I must add, is a masterpiece. Readers might be advised to keep a dictionary to hand: being "a provincial opsinath" (a late learner) like Clive James he peppers his writing with verbal display, especially of adjectives: opaline, lozenge, reboant, lacunose, tubating, mammiform, peristaltic, grumous-kneed, semipernal, stercoraceous, mucilaginous, fuliginous; parading a particular fondness for words ending in id: turgid, foetid, hispid, gelid, old, viscid, pinguid.

Like fellow autobiographers Germaine Greer, John Osborne, Peter Nichols, he chides his mother's "materially discouraging" sardonic remarks which rankle to this day: "I see the *Herald* didn't give you a very good write-up. You see? You're not popular everywhere, Barry." "Are you sure your mother isn't Jewish?" he was once asked.

The Mrs Humphries / Dame Edna figure is, alas, universal too. What gives Dame Edna her spooky appeal is her unnerving insight into the crabbed, anxious female psyche: she looks disconcertingly like a familiar aunt or grandmother, and if you interview her she will advise you on how to press your frock, and admonish you: "Don't neglect your children, daahling!"

I ask Mr Humphries why Dame Edna eschews the false front. "She is flat-chested," he says. "But as she says in her own autobiography, she has never felt that this is a particularly attractive aspect of a woman. She is still, according to her gynaecologist, capable of breastfeeding, which will come as good news to any man who happens to be trapped in a lift with her" (chortle). "But Edna wouldn't look like Edna with a bust. The

creation of the character never set out to be an elaborate impersonation."

He has said a hundred times he hoped never to put on that dress again; but his youthful party-piece has plainly taken over his life, in public at least, to the extent that he expresses humble amazement that anyone should wish to meet Barry Humphries, and even evades such self-exposure when invited. Once, he was due to open an exhibition of British art (as Humphries: on the day, to general delight, it was Dame Edna who turned up, in full fig, blowing kisses and reciting doggerel — "My house would be a great deal duller / Without the occasional water-colour" — defusing the occasion with jokes.

Constantly travelling — now that the dame has also conquered America — he lives in Hampstead

but says he fancies a house in Tazzy (Tasmania). "I like the remoteness of it. One could just come to London for shows. In my job you're never permanently anywhere. One is torn between a vagabond's life and a collector's impulse. Where do you put the Thackeray?" His Thackeray once belonged to his great admirer Sir John Benjamin, who shared his passion for the music-hall and the decadent poets and artists of the 1890s, and who first convinced him that his characters would catch on in England.

This week an Australian television journalist asked him: "Do you still think of yourself as an Australian?" The questioner was "looking, as they always do, for signs of rejection," he says. "I told her: 'I think of myself as Swedish actually.' She didn't know what to make of that."

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Cold revenge is served up frozen

Medea Almeida

THERE are fashions in Greek tragedy and *Medea* is this year's flavour, bringing a *Medea Suburban* to the Lilian Baylis, *Medea Caribbean* to the Tricycle, *Medea African* with braziers to the Royal Exchange, and now *Medea* plain and cold at the Almeida, with Diana Rigg. If you have withers to wring, do not expect them to be wrung here.

Jonathan Kent has proved himself an able director in times past and an excellent actor besides. His performance as Don Juan at Manchester was the best I have ever seen, showing him to be no stranger to the art of conveying sarcasm, rage and cruelty. In a different proportion, and with infanticide added, these are the impulses a production of *Medea* calls for, and which his direction and the cast's performances seldom find.

Black headscarves and dresses on the Chorus of Women identify the setting as Greek, a rarity in recent productions, but it is a Greece of the mind, and Peter J. Davison's design imagines the exterior of a castle wall fashioned, like the hull of a battleship, from riveted metal sheets. Two gaps serve as entrances, one to the interior of the castle, the other leading from the courtyard out to Jason's new premises and the palace of Creon. Greek tragedy's all-purpose autocat.

One of the upper sheets of metal slides back to reveal a narrow window. It is here that Rigg's *Medea* is found sitting as the play begins, with her back turned to the women below, who are watching her for signs of madness.

This window is an ingenious solution to *Medea*'s off-stage walls of misery, but Rigg's unchanging position, although it does suggest the lonely Rapunzel hoping that her prince will return, is strangely undemonstrative. In that respect, it is a true

taster for what follows. When she descends to speak with the women her pose of hesitation in the doorway prepares us for the improbably demure speech that follows. It is almost possible to accept that her words could persuade the women to take her side, for the full nature of her revenge is not yet evident. But as she argues with the visiting males, Joseph O'Connor's Creon, Peter Sproule's Aegeus, Tim Woodward's Jason — none of them well-characterised — though she may change her voice, look into their faces, toss her head and present all the outer physical motions of rage or supplication, some essential timbre in her voice is absent.

"This is a terrible passion," the Chorus declare. Not at all. When her two tow-haired moppets have toddled off with the poisoned gifts, Rigg strolls back to the courtyard. Her expression is concerned but the arrangement of her body does not correspond.

The children's puzzled looks at her do bring out the one persuasive moment of grief: she cannot return their gaze, stares wildly over their heads, and her fingers play a frantic tattoo on the back of her chair. The moment does not last: the schizoid argument with herself is just a muddle.

Kent's Grand Guignol tableau of the children cornered in the window produces a genuine shock. Nuala Willis's mezzo-soprano is good to hear, though it is odd that only she in the Chorus is a professional singer.

But the production is full of oddities and missed chances: Aegeus's boots show the dust of his travels, yet Jason returns from his bride's flaming bedroom unhinged but unsinged.

JEREMY KINGSTON
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Unconvincing Diana Rigg as Medea at the Almeida

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● **DRAWN FROM LIFE:** Martin Short's first one-man show of agreeable drawings and prints of London landmarks, plus drawn records of National Trust restorations at Cheddon, Calke Abbey and Biddulph Grange, commissioned by the National Trust's Foundation for Art. Newly restored Sutton House, Hackney, renovated by the Trust as an East End arts centre, is full of historic 16th-century interiors and also boasts a new art gallery and concert hall.

● **JACOB EPSTEIN:** This show includes small but significant sculptures and among the drawings a hitherto unshown study for his revolutionary sculpture *Rock Drill* (1913). There are fine examples of his Epping Forest watercolours of the Thirties, and enthusiastic nudes.

● **CARLO CARRA - GRAPHIC WORKS 1907-1955:** Though a contemporary, close friend and co-inventor of Metaphysical Painting with De Chirico, Carra remains far less known outside Italy. He worked expressively in etchings and lithographs throughout his life, and they show him at his most continuously inventive, avoiding the monotony of his later paintings. Also an extensive selection of drawings.

Italian Cultural Institute, 39 Belgrave Square SW1 (071-235 1461) Mon-Fri 10am-6pm, until October 6.

JOHN RUSSELL TAYLOR



Ceremonial jade mask, made between 250 and 900 AD: "The transfixed gaze banishes antique remoteness; a direct, challenging confrontation with the here and now"

Before and beyond Columbus

Richard Cork on a London show of ancient Mexican art

When the young Henry Moore came across a photograph of an ancient Mexican sculpture around 1929, the impact was dramatic. The mesmerising figure, lying on his back and twisting his head round to give the world a hypnotic stare, ignited Moore's imagination. He carved a monumental woman in response, defining for the first time on a grand scale the recumbent female who would dominate the rest of his work.

Modern British sculpture was transformed by the profound kinship Moore felt for this 1,000-year-old figure, discovered at Chichén Itzá. And, as if to repay the debt, London now plays host at the Hayward Gallery to The Art of Ancient Mexico, a selection of the very finest Mexican art. The earliest exhibits date from ten centuries before Christ, but there is nothing sealed-off about this survey. Most of the assembled images have an immediate and irresistible appeal.

Not that these objects were produced as "art" in the modern sense. They were intended to perform ritualistic roles, enhancing the religious ceremonies at the centre of pre-Hispanic life. Although the show coincides with the Columbus Quincentenary, it celebrates a civilisation which had nothing to do with the culture imposed on Mexico by the brutal Spanish conquest.

One of the most outstanding exhibits is closely related to the so-called *Chac Mool* that inspired Moore. But this reclining figure, caught so arrestingly between straining vigilance and repose, was probably connected with the cult of the sun. The receptacle clasped in his raised hands once held the hearts of sacrificial victims, offered to the sun-god from an altar.

No exhibition, of course, can hope to convey the grandeur of the surroundings such images once inhabited. A handsomely-mounted slide-show in the final room gives tantalising glimpses of the palaces, pyramids and shrines which still testify to the pre-Columbian genius for architectural magnificence. The Hayward's designer has succeeded in evoking the spirit of the places without resorting to theatricality.

At the beginning of the survey, six erect figures stand on tall plinths in a space as vast as the hall of an ancient temple. We walk past them on a steeply sloping ramp, conscious of the carvings' utter stillness and impassivity. One statue, representing a priest associated with both death and eroticism, sports a skull on the front of his conical cap. Although a heart-shaped form juts from his stomach, he looks grim and implacable. But no more so than Chicomocail, the

goddess of fertility nearby. She gazes out as severely as the priest, and the elaborate, piled-up headdress rests on her as heavily as a building. Looking at this stern, potent presence, we become acutely aware of the stone block from which she was hewn. The goddess must have performed a load-bearing function, helping to support the temple she once occupied with such poise.

If everything on view were as sober as these undemonstrative figures, the show would be an austere experience. But further exploration yields an astonishing variety of poses and moods. At first glance, the full-length carving of Ehecatl, the god of wind, appears serene enough. But then we notice the hands, half-raised in expectant gestures. This deity is active, and the bizarre mask projecting from his mouth gives him an unexpectedly surreal quality.

Judging by traces of red pigment, the mask would originally have stood out even more startlingly from the rest of the discreet, grey-stone figure. Shaped in the form of a bird's beak, which identifies the "maker of wind", this weird appendage seems ready to blow destruction through its opening. Part of this statue's peculiar power stems from the normality of its bodily

proportions. Apart from the duck's-bill mask, the figure is the most classically constructed of all Mexican carvings. But in the spacious show-cases where so many of the smaller objects are displayed, a far more unruly spirit prevails. Released from the need to make monumental sculpture as dignified as possible, the makers of these delightful figurines gave way to abandon.

The playful side of the Mexican temperament is most evident in the uninhibited animal pieces. A kneeling monkey holds his upturned head as if to prevent it from falling off. An exuberant final spirals into the shape of a snail waving in the air. Many of these seemingly simple images contain a complex web of meanings.

Take the carving of a hunchback, the most arresting example of the Mexican capacity for realism. Both the swollen spine and the projecting thorax are handled with painful conviction, while the hunchback's face is defined with an almost patronising lack of sympathy. But the single strand of hair hanging from the back of his head denotes a triumphant warrior: a mark of virile distinction in Mexican society.

Hunchbacks were venerated for their connection with a deity called Nanahuatzin, translatable as Little Turnout. Despite his deformity and a

sore-covered skin, this redoubtable figure built the vast Pyramid of the Sun in Teotihuacan before throwing himself into a fire and, according to legend, becoming the star king.

In the end, though, the most affecting Mexican images come from funerary offerings found in tombs. One clay figure of a woman is modelled with a near-oriental delicacy. Resting both hands on her stomach, as if to celebrate her fertility, the almond-eyed nude smiles with beatific contentment.

She was surely meant to soothe the dead soul's journey beyond the grave, whereas the ceremonial mask found in a Mayan tomb probably acted as a reminder of the corpse's face. Rich jade mosaic helps to stylise the features, and the petalled ear-pieces give the image a decorative flamboyance. But the realism of the fleshy nose and full-lipped mouth suggests a faithful portrait, made still more compelling by the dark, obsidian pupils set within white-stucco eyes.

In front of this uncannily human effigy, which might have been made as early as 250 AD, the centuries drop away. The transfixed gaze banishes antique remoteness, bringing us into a direct, challenging confrontation with the here and now.

● The Art of Ancient Mexico continues at the Hayward Gallery (071-923 3144) until December 6. Daily 10am-6pm, and until 8pm on Tues and Wed. Admission £5 (£3.50 Mon).

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Miele
Anything else is a compromise

'Someone, Lamont, has to pay'

Alice Thomson reports on the mood now in a "political barometer" which voted Conservative in the last election

The people of Mitcham and Morden are confused. On Wednesday, the day when the fundamental tenet of government economic policy over the last two years — the maintenance at all costs of the pound's parity within the ERM — was abandoned, it was clear that the citizens of this south London constituency had no understanding of why the government had pursued its policy and no appreciation of the implications of change. Why should they? they said, no one else knows what is going on either.

Like its more famous sibling, Basildon, Mitcham and Morden is regarded by all parties as a barometer of political opinion. The seat was created in 1974 and was a marginal Labour constituency until 1982, when the Falklands factor helped to give it to the Conservatives in a by-election.

The constituency has none of the rambling houses of neighbouring Wimbledon or the tower blocks of Streatham. The people are solidly middle class. They commute into central London or Croydon during the week and enjoy the local golf courses and back gardens at the weekend. There is a growing ethnic population and a couple of 1950s housing estates.

The 1980s did them proud: the council is the only big employer and most of the jobs came from flourishing small businesses and businesses. But by the April 1992 election unemployment in the area had risen to 10.8 per cent, crime had escalated and many of the frillier shops had closed. People still said they would vote Conservative, however, and Angela Rumbold was returned — just. Most Conservative voters in the constituency now say their vote had been swayed by their concern at how Labour would handle the economy. They thought that what-

ever happened the economy would slowly start to turn and the Conservatives would be the best helmsmen for the job.

Now they are deeply confused. In the last three months unemployment has gone up to 11.4 per cent, another 400 small businesses have gone into receivership and the property market has stagnated so long that it has begun to smell.

Mitcham and Morden is dissatisfied with the government but equally disengaged by Labour's policies and totally bored by economic equations. The government may be worrying about how to keep this an economic rather than political crisis, but if there was an election tomorrow the people of Mitcham and Morden would rather be on the golf course than at the ballot box.

'I'll have to work seven days and nights a week just to survive'

"Where is John Smith? He is meant to be providing us with a ready packaged alternative," said Jane Somerville, who had just picked up her children from the primary school in Mitcham (she wanted to send them to private school). "I have always voted Conservative but so much has happened since the last election I have almost forgotten why."

On London Road Iris Clark was polishing the light bulbs in the shop she has owned for 20 years, the Domestic Electric Disco Centre. "They are getting rid of all small shops. Soon we will just be one shopping mall, small shops can't survive any more," she told her clients. Mrs Clark is trying to sell her shop and retire. "It's all very well joining the Europeans. I've nothing against them, I'm Hungarian myself," she said. "But we should be getting the same benefits as them. My friends in Ireland are getting £30 more than I will in my old age pension and Ireland is meant to be a poor country."

Mrs Clark voted Labour at the last election but says both the major parties are abysmal. "Britain is dying. If this was any other country we would be sending over food parcels and humanitarian aid, but in Britain it is OK for us to suffer as long as we don't make a noise." A man came in looking for a heater for his fish tank, which Mrs Clark miraculously provided. He had a more robust view of Britain. "We lost it in the second world war," Jeremy Pearson said. "It's not Britain's fault, the Germans and French have been trying to get back at us for years. French farmers, German bankers, now those speculators. At least Mrs Thatcher was strong enough to cope. Mr Major is a wimp."

The conversation turned to the monarchy. "At least the Queen doesn't have to pay a mortgage," Mrs Clark said and laughed. Arnette Schisser, 28, the manager of The Travel Shop in Mitcham, has got a mortgage and since her boyfriend left she has been forced to pay it on her own.

"The only thing that interests me at the moment is the interest rate," she said. "I can live on baked beans, but if interest rates go up I'll have to work seven days and nights a week just to survive."

Ms Schisser's father is Swiss and she is thinking of moving to Switzerland. "My cousin there is only 20 and he has his own flat, two cars and goes on holiday abroad three times a year. And he only works for the railways."

There used to be five garages down the London Road. Now there are two. "I don't let myself think about the economy. All my energy is spent trying to shift cars," said Neil Glasser from Performance Cars. "I never vote for the same reason. Everyone is belly-aching

about recession, but it really sorts out the workers. I work 9 to 9 while some of these dealers go home at five and want a six-week holiday."

Further down the street Kevin Forkan, the managing director of Grouprate Cars Mitcham, had to leave at 5pm to pick his daughter up from Brownies but said there wouldn't be any business if he stayed on anyway. Four of his neighbours have recently gone bankrupt. "There is only the Conservative headquarters and the garages left along this stretch of road," he said. He voted Labour but was initially relieved when the Conservatives got in "because people bought cars for a month". Now he would vote Labour again.

"We need to put money back into building projects and get the government to employ more bricks."

They always spend a lot. He wants Labour to come out against the rest of Europe and the Japanese. "There is already too much foreign trade. We've got no work for our young men. What is going to happen to them?" he said. As I walked out of the shop, he shouted: "Do you understand why it is so wicked to devalue?"

Many of the young of Mitcham and Morden appear cynical. Katie Allen, 18, who is training to be a hairdresser, said: "I don't understand politics and I don't want to have any responsibility when things go wrong. But there must be more to life than just finance. What about the environment and AIDS? You never hear about the minister for social affairs."

Paul Truman, 20, is following the markets more carefully. He is a sales negotiator for Ellisons estate agent in Morden and does not

think anyone will want to view houses until Monday. "Last time I voted Conservative with my parents but I won't do it again if Lamont is still there. Someone has to pay," he said. "I hope the French vote 'no', because then we can get back to normal."

At Barclays Bank in Mitcham, the manager, Stuart Crowther, said it had been a quiet week. But the local Conservative office had had several calls. Small businesses are the most concerned. "Most have not borrowed heavily but they are worried about the future," said Oliver Colville, the agent. "Other European countries are having problems but the British are inherent worriers. They don't know what Maastricht or the French votes are about: they are still worrying. But we have had just as many telephone calls about bringing football back to mainstream television."



Paul Truman, estate agent negotiator: "Last time I voted Conservative with my parents but I won't do it again if Lamont is still there. I hope the French vote 'no'."

The Times, with United Airlines, offers readers Gateway to the USA

Free flights to and within the United States

The fifth day of our exclusive offers to readers

W in one of 30 pairs of transatlantic return tickets to the USA. This is only the first of three exclusive opportunities this week in Gateway to the USA, which also invites every reader to: ● Claim a free mystery pair of return tickets for free flights within the USA and ● Save up to £2,000 with free seat upgrades on your transatlantic flights from either Economy to Connoisseur Class or Connoisseur to First Class.

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FREE SEAT CLASS UPGRADES

Readers of The Times who want to travel to the USA before February 1993 have a unique opportunity to cross the Atlantic in luxury with two free United Airlines seat class upgrades. You can choose to upgrade either from Full Fare Economy to Connoisseur Class, or from Connoisseur Class to First Class, with savings of up to £2,000 at current prices.

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Your upgrades are valid on any direct United Airlines transatlantic direct flight via either coast before February 1993.

To take advantage of this exclusive offer, simply collect the 12 special tokens that will be printed in The Times until September 26 and book your transatlantic flight with United Airlines before February 1993. You will find your flight token at the foot of this page. Details of how to claim your two free upgrades will appear in The Times on Saturday, September 26.

Testing your timings

Our week one Gateway to the USA competition offers you the chance to win one of 30 pairs of transatlantic return tickets to the United Airlines US destination of your choice, including five first prizes of two seats in Connoisseur Class.

HOW TO ENTER Each day this week we have set you a brain-teaser constructed around a hypothetical United Airlines traveller. Make a note of all your answers throughout the week and complete the entry form that will be printed in The Times this Saturday, September 19, along with full entry details.

QUESTION 5 A passenger boards a Washington bound United Airlines 747-200 (Flight UA919). The flight takes off from Heathrow at 11.55 (assume GMT) and arrives in Washington at 14.50 local time. After a 45 minute transfer period, he continues his journey to Denver and touches down 3 hours

and 40 minutes later where he then meets a friend for a drink at the airport. One hour and 13 minutes after landing at Denver, our passenger flies to his home in Oklahoma City landing 1 hour and 10 minutes after take off. The next day, 13 and a half hours on his telephone his friend in Denver to arrange a holiday weekend. His friend's wife takes the call and says that her husband is expected home in 1 hour. If this is the case and his friend returns his call 5 minutes after arriving home at what Denver time will his friend be calling to the nearest minute? (Washington is 5 hours behind GMT, Oklahoma City is 6 hours behind GMT and Denver is 7 hours behind GMT. Please use the 24 hour clock and assume that all actions are continuous)

The main goal for tourists out of Phoenix is the Grand Canyon. It is best to book for an overnight stay (ring the Park Lodges from Phoenix), because sunset and sunrise over the desert are what you should be seeing.

The Grand Canyon itself is a tremendous gorge through which the River Colorado flows, thousands of feet below. In some places it is as little as five yards wide at the top and the different rock strata stand out like steps on its sides.

Arid history

PHOENIX, the capital of Arizona, is the gateway to the joys of the desert. This sprawling city is built on the site of ancient Indian villages, whose inhabitants were the pioneers of irrigation in the desert. It got its name in the 19th century, when the settlers prophesied it would rise up again like the bird of legend — which happened when the Roosevelt Dam was opened in 1911, harnessing the Salt River to the north of the city.

Now it is a very prosperous high-tech and business centre, and a jump-off spot for adventurous tourists. You can take trips out into the spectacular Arizona desert by jeep. The Navajo Indian Reservation is not far away: here among the red sandstone canyons there are signs of Indian life going back for 1,500 years. Beyond it lies the Petrified Forest, with its fossilised trees: it is a crime to remove the wood within the



Miles deep and yards wide

bounds of the National Park, but there are other petrified trees outside it from which polished wood souvenirs are made.

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The Grand Canyon itself is a tremendous gorge through which the River Colorado flows, thousands of feet below. In some places it is as little as five yards wide at the top and the different rock strata stand out like steps on its sides.

Glasgow has witnessed a series of assaults on, and blackmailing of, homosexuals, organised by a ring of criminals using rent boys as bait. The boys, in their teens, are often victims themselves, runaways looking for food or shelter. A year ago Brian McKenna, aged 36, a declared homosexual, set up the Glasgow City Liaison Group to help both the blackmailed and the boys.

The group is a counselling service for homosexual men threatened either with exposure or, more usually, with violence unless they pay the blackmailer off. It also finds shelter for the rent boys in an attempt to keep them from the grip of the gangs.

About 45 per cent of the 2,500 calls Mr McKenna's group has received have come, he says, from professional men in positions of responsibility. Last week, he says, he had a

call from a senior member of the legal profession in Edinburgh, a city awash with allegations of homosexuality in high places. An increasing number of calls come from south of the border — Blackpool, Newcastle, Manchester and Eastbourne.

Mr McKenna is negotiating with Glasgow District Council for offices to replace his two-bedroomed flat as the group's headquarters. The group of eight full-time unpaid counsellors, including a former policeman, operates 24 hours a day, seven days a week. If they arrange to meet anyone, the counsellors always go in pairs for their own safety and reputation, and to safeguard the reputation of those they visit.

Although mainly providing advice, the group has established confidential links with Strathclyde police. "If someone comes to us we can take the facts anonymously to the police for an opinion, but only if the person wants us to," Mr

Gays fight the gangs

A Glasgow homosexual refused to be blackmailed — and started a support group with clout

McKenna says. "Only three people, including a policeman, will be privy to the facts."

More often than not the victim, faced with the prospect of giving evidence in open court, decides to take his case no further. And it may not be possible to corroborate an assault or attempted extortion as the Scots law of evidence is stricter than the English.

But the very fact that Mr McKenna's group is known to have the ear of the police can act as a deterrent to further blackmail, says Mr McKenna, who himself paid more than £8,000 before reporting that he was being blackmailed to the police and then had his life threatened, arson attempts

made on his home and fast food business and his car smashed after he made a public stand. "We will sit up all night for the victim, waiting for the knock," Mr McKenna says. "When it comes we answer the door, say who we are and ask their business. They run away. We know who they are." But he insists there is no place for vigilantism. "That way you are no better than the blackmailers."

According to Mr McKenna, there are ways for a victim who decides to go ahead with court action in Scotland to minimise the chances of exposure in the

that a victim be named only as Mr X in open court.

But a senior Strathclyde police officer explains: "Ultimately it is up to the court and different prosecutors fiscal may handle cases differently."

Most of Mr McKenna's group's work is confined to advice and listening. "We are not promoting homosexuality," he says. "We try to provide tender loving care, not sexual loving care."

On Tuesday he believed he was on the brink of a breakthrough. A rent boy involved in a blackmailing ring had come to the group in desperation and agreed to talk to police in confidence. "Nothing may come of it," Mr McKenna says. "But the fact he is willing to talk is a start."

ALASTAIR ROBERTSON

Has feminism failed?

Tickets for the debate on women, chaired by Melvyn Bragg on October 6 at the Institute of Education, Bedford Way, London (7.30pm), can be obtained by returning the coupon below. The speakers will be Neil Lyndon, seconded by Kenneth Minogue, with Yvonne Roberts, seconded by Beatrix Campbell, in opposition

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TOMORROW

"We seem oblivious of our great heritage of public parks, which are now seriously under threat." Sir Roy Strong in Weekend Times

Saying prostate out loud

More men know about the function of the ovary than they do the position, purpose — and possible complaints — of their own prostate gland. Liz Gill clears some of the clouds of ignorance and embarrassment

When François Mitterrand, the French president, went into hospital a few days ago for an operation on his prostate gland he was sharing an experience common to 30,000 Britons every year, as well as at least one of his predecessors — Charles de Gaulle — and Ronald Reagan and Lord Wilson.

Yet despite its prevalence, prostate disease is still surrounded by ignorance and either concealed altogether — details of Mitterrand's operation were released only after rumours started to spread that he was dying — or referred to euphemistically as "a spot of trouble with the waterworks".

As Clive Gingell, consultant urologist at Southmead Hospital in Bristol, says: "People seem to know almost nothing about it. I even had the proofs of an article returned to me recently with prostate corrected to 'prostate'." Not only do we not know where it is or what it does, we don't even know how to spell it.

"The symptoms can be very embarrassing, but sometimes men think they are just a normal part of aging, and adjust their lives accordingly. The trouble is that as the years go by and the symptoms

worsen they have to make more and more adjustments. They really become slaves to their bladders. It's only after they've had treatment that they realise just how bad it had become. It can be very rewarding to treat because patients are often like new men afterwards."

Mr Gingell was one of the speakers at yesterday's launch of Better Prostate Health, a campaign aimed at raising public awareness of the gland which lies at the base of the male bladder, surrounding the urethra, and which produces vital fluid to help transport and nourish sperm. With a grant from the pharmaceutical company Merck Sharp and Dohme, the campaign organisers plan to distribute posters and leaflets to health centres and chemists. They have also produced a video and set up a telephone information line with Hilary Jones, the GP who broadcasts on medical matters for TV-am.

"I feel it's time we focused more attention on men's health," Dr Jones says. "A recent Mori poll found that men know less about their own bodies than they do about women's. For instance, 87 per cent of men know the function of the ovary. But only 32 per cent know about the prostate gland."

"At the same time men are very reluctant to visit their doctor. But although the campaign is about

men's health we know that educating women is just as important. It's the men's wives or partners who often finally succeed in encouraging a visit to the GP for help."

The most common condition is benign prostatic hyperplasia (BPH), which could affect up to 2.4 million men in the UK, or one in three aged between 50 and 79, according to a study carried out in Stirling by Edinburgh University. The study also found a wide disparity between the number of men troubled by symptoms and those who actually consult a doctor. Even those who did seek help had frequently had their symptoms for a year or more.

In BPH the prostate — normally the size of a chestnut — enlarges, sometimes to the size of an orange, gradually narrowing the urethra, the channel through which urine passes to the outside, and leading to difficulties in urinating. Symptoms include impairment of the size and force of the urinary stream; difficulty in starting; interruption of the stream and dribbling afterwards; a frequent need to urinate; a feeling of urgency; a sensation that the bladder has not been emptied.

The symptoms tend to be troublesome rather than painful unless the enlargement is so severe as to lead to

urinary retention — an inability to pass water at all — which is what led to Mitterrand being rushed to hospital.

Roger Kirby, consultant urologist at St Bartholomew's Hospital in London and author of a book on BPH out next month, says "A lot of men do let it get to this stage. We still get five or six such cases a week."

"Bladder disturbances can really affect quality of life. Sufferers can be obsessed, they become expert in toilet logistics and become panicky if there isn't one nearby. You hear wives say their husbands cannot drive for more than an hour or they have to keep getting up in the night and disturbing them. Yet the men are often afraid to seek help because they are embarrassed or worried about the stigma of incontinence. Or they think they've got cancer or they are worried that they'll have to have an operation."

In fact, although the trans-urethral prostatectomy (removal of the prostate gland through the urethra) is still a common procedure, there is increasing interest in medical and other alternatives. Drug treatment may use alpha blockers which relax the smooth muscles in the gland, or Proscar, which shrinks it. Mr Kirby often uses both in combination as an alternative to or a way of postponing surgery. However, alpha



President in the news: François Mitterrand's prostate problem is shared by thousands of men

blockers are not suitable for men with low blood pressure as they can cause fainting. Other alternatives include stretching the urethra by inflating a balloon-like device inside it, although this is not considered very successful in most cases; or inserting metal "stents", or springs, into the urethra to hold it open (the drawback here is that they encourage the formation of stones); heating the gland with hyperthermia, using microwave energy to kill the portion of the prostate immediately adjacent to the urethra (the process is expensive, with machines costing up to £400,000); or using lasers to vaporise or shrink the gland.

"There is a lot of enthusiasm for and interest in these alternatives because the problem is such a common one that patients do not want surgery if it can be avoided," Mr Kirby says. "What you get, though, depends on where you live — whether you are near a big teaching hospital for instance — or whether you can go private: they are keen to try these new things. At the same time the risk-benefit ratio of these new treatments still needs careful evaluation."

Surgery usually involves the removal of about a third of the prostate in a procedure where a

cutting loop is pushed down the urethra and the enlarged tissue pared away and washed out. The risk of dying from the operation within 90 days is about 1.5 per cent, mainly because, Mr Kirby says, it is performed on a lot of very elderly men who often have other diseases as well.

The other drawback is that surgery interferes with the neck of the bladder, rendering it incapable of shutting off during ejaculation. The likely result is that the patient will suffer retrograde ejaculation after surgery when sperm remain within the bladder instead of leaving the penis. However, the ability to have an erection is not usually lost, nor the sensations of orgasm, although fertility is likely to be substantially impaired. "You get occasional cases of impotence," Mr Kirby says, "although this is more likely to be psychological rather than physical."

Tissue that is removed during the operation is checked for signs of malignancy, which are found in about 10 per cent of cases — as they have been in Mitterrand's.

Prostate cancer is the second most common cancer among men in this country and claims about

8,000 lives a year. Treatment is either palliative, or involves radiation, drug therapy or surgery: a radical prostatectomy involves the removal of the whole gland. "It is a big operation which means impotence and infertility and would really only be countenanced to save the life of a young man with a localised cancer," Mr Kirby says.

As tumours require supplies of the male hormone to sustain them, sufferers are sometimes given chemical or physical castration. Nobody knows what causes prostate disease, which seems to be slightly on the increase — although this may be due to increased longevity. Environmental and lifestyle factors may play a part.

At the moment there is much debate, particularly in America, over the value of screening: earlier discovery increases the likelihood of cure. "Prostate cancer is very unusual in men under 50," Mr Kirby says, "but quite common in the over-sixties. A man of 60 will not consider himself old, and he may well expect to live another 15 years or so. But screening involves blood tests and rectal examinations and would cost time and money."

● Better Prostate Health, PO Box 200, Bradford, West Yorkshire, BD7 2NP (helpline 0891-667788)

Learning to love yourself

Almost half of Britain's households will soon consist of people on their own. How will they handle the years of solitude?

One of the most sensitive measures of positive mental health is how constructively people use their solitude. With six million people in Britain now living alone, twice as many as 30 years ago, solitude is in greater supply than ever before. But little is known about how well people handle it.

By the end of the century four out of ten households will be single people or solo parents, according to a survey published this week. Fewer than a third of them confess to being lonely. Yet the capacity to live alone has to be learnt, according to psychologists. Can we suppose that the remaining two thirds have learnt it so successfully that their solitude has become a source of happiness, even of fulfilment?

Many people who live alone do so for negative reasons — to escape warring parents, intrusive friends or demanding spouses.

But one of the great cultural myths of our time, according to Eric Midwinter, a former director of the Centre for Policy on Ageing, is that "the trade winds of family life are automatically to be preferred to the doldrums of living alone". Many people prefer living alone, even if it means loneliness, to the "corrosive horrors" of the extended family.

Having a stable partnership is, in any case, no guarantee against loneliness. Research shows that as a buffer against adversity, support from a partner may be less important in adulthood than support from friends. Men benefit more from marriage than women, and while bereavement may bring sadness, it may also be an occasion for liberation.

The best guide to loneliness is not the range of a person's social circle but his or her income. Among older people, almost half those on lower incomes say they often or occasionally feel lonely, compared with only 18 per cent on higher incomes. Half those on lower incomes say they have enough company, compared with more than eight out of ten on higher incomes. Money brings status and freedom of choice. Loneliness is associated with narrowed options and a sense of loss.

There are many ways of living alone. Researchers from the University of Geneva have identified six means of adapting to solitude based on interviews with widows. The tormented (18 per cent of the sample) are crushed by loneliness and depression even though they have the support of friends and relatives, and the isolated (22 per cent) may go for several days without seeing anyone.

Neither adjusted than these were

the misanthropes (9 per cent), who said things like "the less I see of my friends, the better I feel", and the busy (15 per cent) who found the answer to solitude by filling their day with appointments. Most successful of all were the "at peace" (12 per cent) who "found tranquillity after a lifetime of struggle", and the "stable, well adjusted" who are described as having a naturally harmonious temperament and have overcome solitude with "courage, good sense and optimism".

David Weeks, the principal clinical psychologist at the Royal Edinburgh Hospital, who presented these findings at a London conference this week, said their weakness was that they assumed personality was immutable. "Many of us may respond in any of these ways, depending on the situation and how we choose to react to adversity," Dr Weeks says.



Alone, but unhappiness is not inevitable

Much loneliness is the result of people making harsh judgments about their own lack of social skills, which then inhibit their efforts to communicate and increase their sense of isolation. They tend to downplay other people's inadequacies while exaggerating their own.

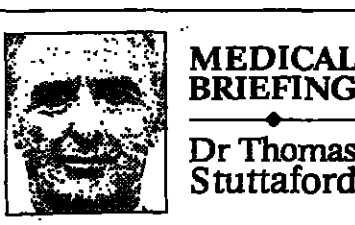
Research shows that moving old people who have lost family and friends to residential care or sheltered housing often fails to overcome their loneliness. "The most important issue for policy makers is when the move to residential care should be made on account of loneliness," Professor Anthea Tinker, of the Age Concern Institute of Gerontology, says. "We may have to look for solutions within ourselves, how to keep our friendships in good repair, how to continue to enjoy life and how to be ourselves on our own."

JEREMY LAURANCE

SO IMPORTANT is the early detection of cancer of the breast that few patients are aware of the causes of benign breast disease, or its treatment: yet the overwhelming majority of patients who consult their GPs with breast symptoms will not be suffering from cancer. Professor Robert Mansel of the University of Manchester, writing in a recent edition of the magazine *The Practitioner*, states that one third who consult their doctor about their breasts will have a palpable lump, and a half will have pain; and, contrary to a dangerous popular myth, a painful breast is not always benign and the first sign of breast cancer can be, and often is, pain. The initial, and most important, task of the patient's doctor is to exclude cancer as a cause of the symptoms, whatever the age group of the patient. Fortunately, cancer of the breast is exceedingly rare in the under-30s

Treating breast pain

but becomes progressively more likely in the older age groups; even so, it is still comparatively common for doctors to be consulted by older post-menopausal women who have been reassured that a newly discovered lump is a cyst or a patch of fibroadenosis. Benign breast disease is comparatively rare in post-menopausal women, or in any case those not preserving their youth with HRT, and therefore, as Professor Mansel advises, a woman of this age who has any lump needs urgent specialised investigation. Doctors, when discussing breast disease, as well as instigating investigations and providing reassurance, can also talk about prevention. Evidence is



MEDICAL BRIEFING
Dr Thomas Stuttford

hardening that diet may play some part, and Dr Baghurst of the Division of Human Nutrition, Adelaide, quoted research to a conference this week to show the value of a high fibre diet. Nodular, lumpy, breasts which tend to be painful, often at period times, have to be distinguished from a breast which has an isolated

lump, with a well defined border, within it. Even in a nodular breast, any well-defined lump is important and needs to be shown to a doctor.

Breast pain in benign breast disease is probably due to changes of sensitivity of the breast to circulating hormones, and not to actual changes in the level of these hormones. Women can be reassured that there is no evidence that painful breasts are a sign of neurosis (although people's pain thresholds do vary), or to water retention; therefore tranquilisers or diuretics are not helpful.

Painful breasts can be related to HRT or contraception and appropriate changes in the regime may

alleviate the problem. Three groups of drugs will help breast pain in 75 per cent of cases. Evening Primrose is the safest, but even so a few patients, less than 10 per cent, may find that it slightly upsets their tummy but it is otherwise free of side-effects. Its use is associated with one problem: patience is needed as it takes time, up to three or four months, to act.

The other two groups of drugs which are used for breast pain are the more powerful Bromocriptine and Danazol. Both have side effects. Bromocriptine, which reduces the level of the breast-stimulating maturity hormone, prolactin, can give rise to headaches, nausea or constipation; and Danazol, a synthetic hormone, causes some masculinisation, a coarsened oily skin, increase in hairiness, deepened voice and menstrual irregularity, as well as occasional gastro-intestinal upsets.

Cold comfort for drinkers

A HEAVY night's drinking followed by chilling sweats in the early hours is enough to lower most people's resistance to the common cold, which is all too often the price paid for the extra brandy, or two. But for the moderate drinker, the envious man or woman who sticks to their two glasses of wine, pint of beer or two tots of spirits, there is better news. These drinkers will, it seems, not only be less likely to suffer coronary heart disease, but there is also evidence that they may escape the common cold.

Mims Magazine reports that one of the last pieces of research from the common cold unit at Salisbury shows that moderate drinking halves the number of colds which the modest tippler can expect to catch. David Tyrrell, the former director of the unit, gave this good news to the annual meeting to the British Society for Allergy and Clinical Immunology in Southampton recently. He added one caveat: it seems that smokers, however little they smoke, lose this advantage and pick up infections as readily as non-drinkers.

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Sport is easy, when you don't think too hard

THE exclusion of David Gower from the touring party to India has surprised even those of us whose only experience of cricket has been from the tail end of the batting order in a Norfolk village cricket side. But we, who failed to score against Humber or Edgbury, should be reassured that maybe it was not our fault that we haven't Gower's skills: it's just the way our brains work.

It seems that a games player's ability may be partly determined by

his brainwaves, and if only we had had increased temporal lobe alpha activity before we went to the crease, we too, could have hit the rival village's demon fast bowler for six. David Collins, it is reported in *General Practitioner*, told the British Association annual meeting that pre-performance EEGs, the record of the pattern of the brainwaves, showed that the good games players had an increase in alpha wave activity before they took part in their sport, and this increase

in activity was related to the difficulty of the task ahead. The changes may represent an increased level of concentration.

Those who had sluggish pre-performance alpha wave activity, or increased beta wave activity, were the "thinkers", and they would soon be back in the pavilion, dreaming of their books. Dr Collins, it seems, thinks that too much thinking may interfere with performance. The time for thinking is well before the game.

"MY DAUGHTER'S ASTHMA HAS IMPROVED UNBELIEVABLY"

House Dust Mites are a major cause of asthma. They live in everyone's home (especially in and around beds) and, for many people, the powerful allergens they produce bring on asthma attacks. When Mrs P. discovered her daughter's asthma was caused by an allergy to House Dust Mites, she used Actomite - the results were remarkable.

Actomite is an easy-to-use spray which kills House Dust Mites, their larvae and eggs, yet leaves a room perfectly safe for you to use. One can of Actomite spray reduces the House Dust Mite population so effectively, you only need treat a room once every three months. And, if a member of your family is a chronic asthma or eczema sufferer there's no need to pay VAT. (Ask your Chemist for details.)

Actomite gets rid of House Dust Mites, so asthma and eczema sufferers have one less thing to worry about.

ACTOMITE
Actively Controls House Dust Mites
Available from the Healthcare Department of Boots and your local Chemist
NOW V.A.T. FREE* *ONLY CHRONIC ASTHMA/ECZEMA SUFFERERS ARE ELIGIBLE

MOTORING TIMES

Safer driving is in the bag

Airbags save lives. Kevin Eason asks why they are not included as a standard fitting in all British cars

A high technology balloon could cut the number of serious casualties in car accidents by almost a third... yet car manufacturers are so far slow to offer the life-saving equipment.

Airbags, balloons which inflate automatically on crash impact to protect the heads and chests of driver and passenger, are being adopted as a standard fitting in cars in the United States after a welter of research proved their value.

The need to perfect an airbag came from the curious American concept of "passive safety". Complex liability laws there, coupled with an inbuilt American resistance to being told to use seat belts, forced manufacturers to find some way of saving lives without requiring the driver or passenger to take any action themselves.

An airbag was an ideal solution, but was laughed off the drawing board when it was first suggested in the 1970s. 20 years after first being patented by Walter Linderer, an engineer based in Munich.

The main fear surrounding airbags — that they will explode accidentally while the car is moving happily along the motorway at 70mph — has been largely discounted by sophisticated electronics. Mercedes-Benz has fitted more than a million airbags so far.

Drivers stand to benefit most, with a 40 per cent reduction in deaths in road crashes as their heads and chests are protected from smashing into the steering wheel and dashboard. The chances of survival increase greatly, with a 55 per cent

reduction among those American drivers who also use a safety belt.

Those impressive statistics cannot be ignored by British safety agencies, which is why the Royal Society for the Prevention of Accidents is now pushing the government hard to have similar legislation implemented here.

Mercedes-Benz, however, announced this week that all 12 models in the company range would get front seat passenger airbags as well as driver bags as standard.

All cars also get anti-lock brakes in one of the biggest safety pushes seen by any manufacturer in this country.

The news is welcome but underlines the fact that such a radical safety advance will realistically only be available to a small percentage of well-off car buyers.

Vauxhall says that it will have driver-

side airbags available as an option on its new Astra range. But the Astra will be an exception in a market which, even in recession, sees some 1.6 million new cars taking to the roads each year, but an annual toll of deaths and accidents of more than 311,000.

The research from the United States, which shows an across-the-board reduction in moderate and severe injuries in crashes by 29 per cent where airbags were used, was enough to convince RoSPA that manufacturers must consider it essential equipment, not an option.

David Rodgers, RoSPA's road safety adviser, says: "While seat belts provide protection in a collision, occupants can still receive horrific



Airbags: a radical safety advance, but only available to a few well-off car buyers

injuries if their heads are smashed against the steering wheel or dashboard. "America is adopting the fitting of airbags as standard. Is it such a mammoth problem for all cars manufactured in this country to do the same?" he asks.

The short answer to that, of course, is that it is not so

difficult to engineer airbags into current cars. Companies that export to the United States, such as Jaguar, have to fit airbags by law, so the technology is there. But is the will?

Mercedes carried out research 12 years ago into airbags, inventing a system in which a bag is inflated within

25 milliseconds of a collision. A small pyrotechnic charge triggers a burst of gas, mainly nitrogen, into the bag, thus cushioning the driver or passenger as they are propelled forward on impact.

Mercedes says that the airbag technology is tried and tested, and that it works successfully.

'This is an alarm call from your dashboard'

Cars could soon be equipped with sensors to warn tired drivers when it's time to pull over

The camera on the dashboard of a Granada saloon makes no obvious movement, but six times a second it will be watching to discover whether one of Ford's top engineers is too tired or even too drunk to drive.

The tiny camera will scan his eye movements, counting the number of times he blinks to determine whether he is fit to be at the wheel.

This is no futuristic spy but a device which engineers believe could help cut the number of road deaths drastically within a few years.

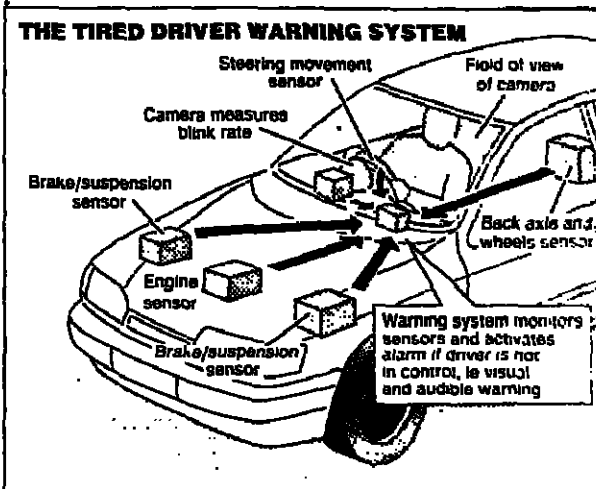
There are 50,000 road deaths across Europe each year, about 4,500 in Britain alone. Most accidents are not the fault of the car, which has become increasingly sophisticated, with anti-lock brakes, improved crash protection and other failsafe systems.

Engineers are convinced that, while they can introduce technology to make cars safer, they can do little if the driver is not in full control.

As many as 70 per cent of accidents are attributed to driver error, often caused by fatigue or drunkenness which leads drivers to fall asleep at the wheel or lose concentration.

Drivers, particularly those who do high mileages and think of themselves almost as "professionals", are notoriously bad at taking advice. So how does the engineer make a human as reliable as a machine?

A team of 30 engineers at Ford's main research centre at Dunton, Essex, are about to find out, by living with the "magic eye" which will tell



them when they are too tired to drive.

They will use their Ford Granada to travel thousands of miles between suppliers and universities, which act as consultants to the research team, to test equipment which could be in use on all cars by the mid-1990s.

Dunton is one of about a dozen facilities working on a joint European project to develop the traffic and safety systems of the future and to

'As many as 70 per cent of accidents are attributed to driver error'

reduce European road deaths by 30 per cent and congestion by 20 per cent.

Ford's main task has been to develop a sensor system which gauges when the driver should pull over.

The most vigorous tests have taken place over the past three weeks, although Ford customers could have their first sight of the system before the end of the year... and themselves become guinea pigs.

The camera mounted in the

Granada will be watching the engineers' eyes for signs of prolonged staring and slow blinking, indicators that fatigue is setting in. At the same time, a series of sensors around the car will try to detect any unpredictable movements in steering, braking or acceleration.

When the car's on-board computer detects enough irregularities, it is instructed to give a warning.

When it has been decided what form the warning will take, it will be tried on some Ford customers in tests later this year. A warning buzzer or a dashboard display would be the simplest answer.

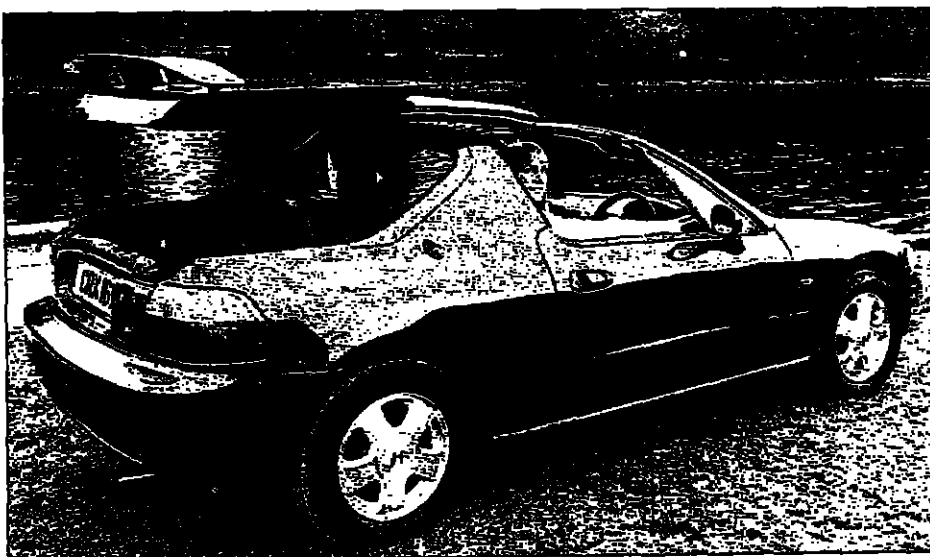
A more novel approach, said Raj Prasad, a research supervisor at Dunton, would be for the car to switch the air-conditioning automatically to cool, and to puff into the passenger compartment a fragrance, almost a mild smelling salt, to bring the driver round.

"We cannot shut the car down, because that holds out the prospect of being even more unsafe," said Mr Prasad. "The police advise drivers feeling drowsy to wind down their windows to wake up. We could provide a more sophisticated version of that by stimulating the driver until he can do something about the situation he is in."

KEVIN EASON

Small and perfectly formed

Curvy lines, gadgets and an eager engine make the Honda CRX a winner



The Honda CRX: the most fun you could have with your clothes on

When it comes to a cheap motoring thrill, there can be little doubt that Honda's little CRX provides the most fun you could have with your clothes on. The car is unashamedly built to please. Kevin Eason writes. There are no frills, no publicity sheet excuses about the environment, or anything else you will drive the CRX because you enjoy it.

Based around Honda's Civic series, the CRX is a tiny two-seater with an interior cabin which could have been built exclusively for the Munchkins (or perfectly built five foot, six-inchers like me). Six-footers need not apply for a model with more in common with Dinky toys than full-size sports cars.

The size of the interior can be guessed by standing by the driver's door. The model stands little more than waist high. But it has the sort of curvy lines that makes sports car nuts drool and that have other motorists craning their necks to find out what just passed them.

It also has one of the most amazing electronic gadgets on the market: a unique foldaway hard-top which, at the touch of a button, peels away to be

stored in the boot. Release two levers, push a button and the boot lid raises itself to suck in the roof lid. An astonishing show almost worth the demonstration to pedestrians, whether it is raining or not.

Somewhat, it still seems absurd that the sports cars with the most appeal and that create the biggest stir in the High Street are not British. But the Japanese, through Toyota's MR2, Mazda's MX5 and now the CRX, have simply read the demands of the marketplace better than their British counterparts and moved a stage further than the hot hatchback into true two-seaters.

The result is not a car with performance to scare dogs, grandmothers and children but a car with enough zip to inject some fun into daily

motoring. And it is relatively cheap, about £600 less than a Ford Escort XR3i cabriolet, for example.

Honda has not put that much effort into making the CRX luxurious. Apart from the sporty striped seats, the dashboard is basic while the area behind driver and passenger amounts to little more than a storage area for a slim suitcase. If you travel light or can afford a decent-sized saloon as your main, everyday transport, however, why worry?

The CRX boasts one of the most advanced engines on the market. The 1.6-litre version of Honda's advanced VTEC delights in being revved, is eager and responsive in any gear and at any speed.

The CRX is simply a delightful car to drive. There is

no particular reason why a car like it should exist: it is not particularly economical, it is not that fast, it is not luxurious nor is it particularly space efficient in offering a big passenger cabin or boot. But it is fun — a lot of fun — and putting smiles on a few faces in these grim days is as good a reason as any for being in the showrooms.

HONDA CRX
Price: £14,950 (ESi) and £16,450 for VTI tested.
Engine: four-cylinder, 1.6-litre with 16 valves for 160 brake horse power through five-speed gearbox in VTI format. Anti-lock brakes standard on VTI.

Performance: top speed 118mph, fuel economy 30.7 miles to the gallon for VTI around town.

Cold start

ALL IS not well in the rush to conquer the sales opportunities in the former Eastern Bloc. Rover admitted this week that its order for 5,000 cars worth £50 million from Russia and Siberia had foundered with the possible demise of a third party agent company, Orbicom. So far, Rover has supplied only 32 cars and the firm has no idea whether the rest will ever be sent. Meanwhile, Fiat has been struggling to get production of its little Cinquecento car under way at the FSM car plant in Poland, where workers look as though they are ready to end a 55-day strike.

ROADWISE

Something white
MOTORISTS, cyclists and pedestrians have been asked to "brighten up" this winter, to ensure they are seen by other road users. The Metropolitan Police has launched a month-long campaign to reduce the 119 accidents a day recorded during October and November last year.

Thema dream
LANCIA will be looking for a revival in its sliding fortunes in this country with the launch of its facelifted Thema range. Sales of more than 1,000 in the first eight months of 1991 have slithered to 484 this year so the Thema, appearing at

this year's Birmingham motor show, grows in importance to the Italians. The range gets revised 16-valve engines, transmission and suspension.

Fast mover
BMW has decided to tackle the lukewarm reception of its 8-series coupe by adding a new 380 brake horse power version.

The new CSI gets a bigger 5.6-litre engine, stiffer suspension, traction control and active rear axle. The result is a 0 to 60mph acceleration time of under six seconds and a top speed electronically limited to 155mph. The price will be announced in the spring when the car arrives.

Long runner

OLD age has clearly not wearied Michael Davison's Mercedes. After 318,000 miles the car is still going strong. The company director bought the 500SE new in 1984 to run between farms in Cambridgeshire, Norfolk and Bedfordshire. He says it has let him down only once, when a throttle spring snapped.

What, no dip?
AN early Christmas present idea for the motorist with a sense of the absurd: a pair of car-shaped slippers with working headlights (£19.95).

The offer was spotted in the latest *Innovations Report*, that strange glossy magazine full of gadgets. The battery powered slippers, it says, "safely light your way in the dark".

CAR BUYERS GUIDE

FOUR WHEEL DRIVE

DISCOVERY 3 dr TDI 1992 J. only 3,500 miles, met green, elec. trips, full new spec, as new. £17,496. 0483 211185

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DISCOVERY V8 3.0 24v, 2000 cc, 160 hp, 16000 miles, 15.5 mpg, 15.5 mpg, 15.5 mpg. £15,750. 0483 211185

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JAGUAR & DAIMLER

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TODAY IN BUSINESS

SHAKE-UP



WE WOZ ROBBED!
The Maxwell affair offers the chance for a one-off shake-up of the pensions system, argues David Blake
Page 23

FALLING

Repossessions by the Halifax fell 40 per cent in the first six months after government initiatives
Page 21

GROWING



The merged Reed International and Elsevier will be a new Anglo-Dutch giant to set beside Unilever and Royal Dutch Shell
Page 21

SURVIVING

Laporte is surviving in the troubled chemicals sector despite a £5.8 million profits downturn half way
Tempus, page 20

TOMORROW



A self-confessed loner and one-time angry young man, James Harro, has flown the coop from his native Hampshire to run Scottish Nuclear

Shares soar as pound tumbles against the mark

By COLIN NARBROUGH AND MICHAEL CLARK

THE complete reversal of Wednesday's aggressive rise in base rate, plus Britain's exit from the exchange-rate mechanism, sent share prices soaring, but pushed the pound to an all-time low against the mark.

The FTSE-100 index of leading shares, buoyed by the prospect of interest rate policy better suited to economic recovery, jumped 105.6 to close at 2,483.9. The surge, which added £21.7 billion to share values, was the biggest one-day rise since April 10, — the day after the general election.

However, the early signal from the Bank of England, that another 2 percentage points were being cut to return base rate to

Tuesday's 10 per cent, took away the last of the defences put up to hold sterling in the ERM parity grid. The Bundesbank yesterday left its lending rates unchanged.

The return of base rate to 10 per cent less than a day after its rise to 15 per cent whetted the money market's appetite for further easing. Although a rumour circulated that a cut to 8 per cent was imminent, the key three-month interbank lending rate ended consistent with current base rate. But shorter dates were suggesting 8.5 per cent base rate around the time of the Conservative party conference next month.

The pound opened at DM2.6441, down more than 13 pence from its previous official London close following the wild gyrations of government policy and currency

market sentiment on Wednesday. At last night's official close, sterling stood at a record low of DM2.6323, well below the previous worst of DM2.7125 of March 1990. Sterling retreated steeply overnight on Wednesday against the dollar too, shedding more than 10.5 cents. But the dollar started to ease against the European currencies yesterday, allowing to pound to claw back more than 3.5 cents to finish at \$1.7750. The pound's trade-weighted index, which had tumbled 4.2 overnight to 86.3, also nudged ahead fractionally to edged ahead to close at 86.4.

Assurances from Norman Lamont, the Chancellor, that sterling's withdrawal from the ERM was only temporary, failed to persuade City economists that re-entry will

come soon. Paul Chertkow, head of global currency strategy at UBS-Phillips & Drew, said it would be folly to seek an early return to the system given that what Britain needed now was interest rates more appropriate to the poor state of the economy.

Looking ahead, currency analysts see further weakening against the mark. Mr Chertkow expects DM2.55 in three months' time, despite the 10 per cent fall in the value of sterling against its DM2.95 ERM central rate since Wednesday. Yesterday's lows took sterling close to DM2.60.

Talk of the pound rejoining the ERM, which matched similar pledges about Italy, appeared to undermine sentiment for the pound. The government's commitment to rejoin ERM "as soon as conditions will

allow" was widely regarded as too open-ended to signify much, although some analysts believe re-entry could come soon after the French referendum as part of a general realignment of the ERM.

In the stock market, turnover soared to a massive 1.36 billion shares as market-makers vied for stock in an attempt to build up their trading positions. Most of the business was centred on the big exporters and other leading shares, but in such volatile conditions even the market-makers are finding it difficult to make money. A number of leading firms have found it an expensive business to shut down their existing short positions.

Stock market, page 22

Markets keep up attack on ERM parities

By WOLFGANG MÜNCHAU, EUROPEAN BUSINESS CORRESPONDENT

THE future of the European exchange-rate mechanism hung in the balance yesterday as financial markets continued to savage ERM parities, pushing the franc, the Danish crown, the Irish punt and the peseta close to their trading floors within the system. Those currencies became the weakest after the exit of the pound and lira, and the devaluation of the peseta by 5 per cent early yesterday.

The continued turmoil in European currency markets came amid reports from Germany that the Bundesbank and other European central banks would not favour a hasty return of sterling or the lira back into the ERM, after their suspension by the EC's monetary committee.

It is widely believed in financial markets that the ERM is about to become a more narrowly based system of near-fixed exchange rates, linking a small number of hard currencies around the mark.

The Bundesbank refrained yesterday from making any further public pronouncements about sterling or ERM parities, but it appeared that the German central bank was in no mood to follow calls to bail out the ERM for the second time in a week. At its regular fortnightly council meeting yesterday morning, the Bundesbank left official

interest rates unchanged after Monday's much criticised decision to cut the lombard rate by a quarter point to 9.5 per cent. Earlier, there had been some expectation of a German rate cut, but a further German rate cut is now thought unlikely.

The cautious attitude by Germany and other ERM countries to the return of the two suspended currencies contrasted with the aspirations of the Italian government, which hoped to have the lira readmitted to the ERM by Tuesday next week. The British government said only that sterling would return "as soon as conditions allow".

The consensus among bankers and economists in Frankfurt is that sterling will not be allowed to return until the currency markets stabilise and the British economy starts to show definite signs of recovery. In the case of Italy, a speedy return of the lira is thought to be even less likely and would probably depend on the adoption by Italy of a tough economic austerity programme.

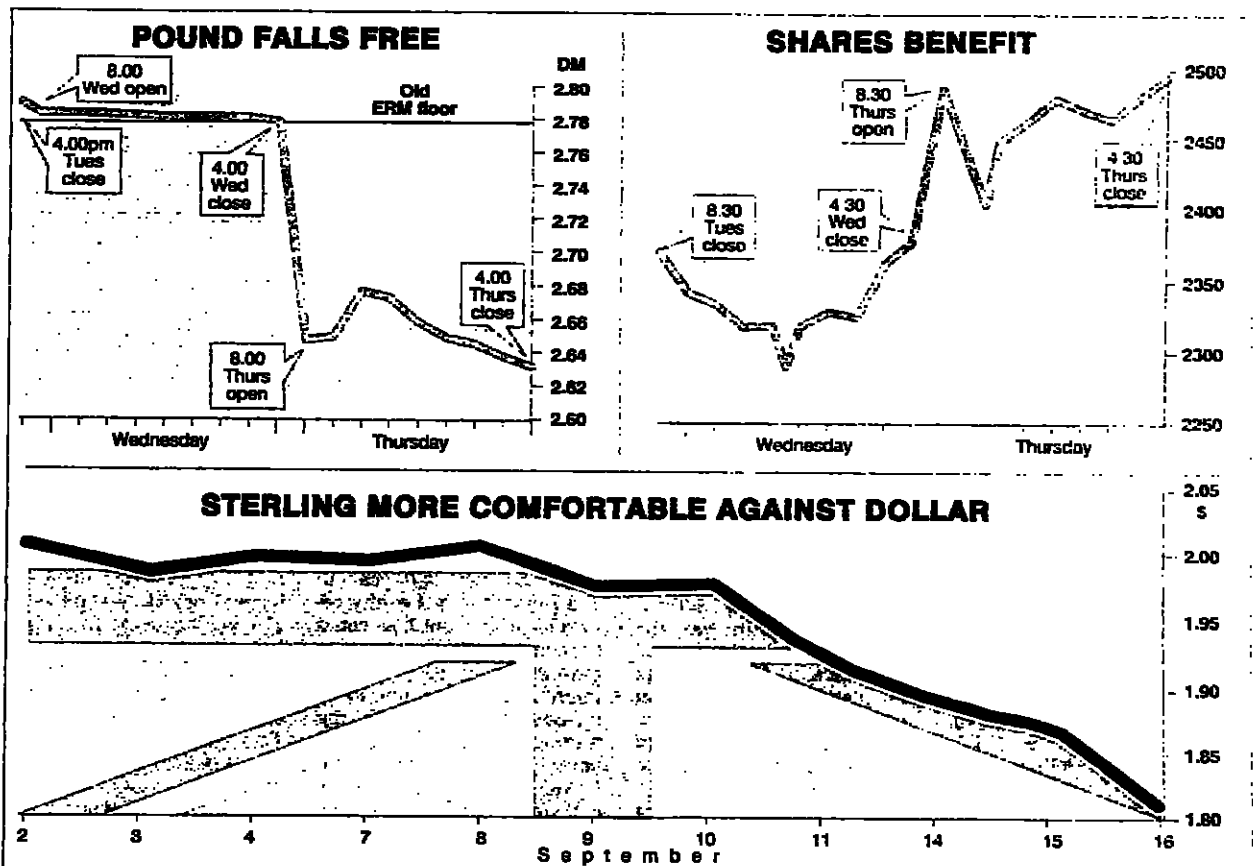
The continued attack on the ERM by the financial markets came despite pledges, some official, that the system was still alive and kicking. Theo Waigel, the German finance minister, said that "the EMS remains a central element of co-operation in currency policy and of further integration in Europe", while Michel

Camdessus, managing director of the International Monetary Fund, said in Washington that the ERM showed remarkable resilience.

Financial markets, however, were unimpressed by such pronouncements. The main target of yesterday's market nervousness was the franc, which fell against the mark from FF3.388 on Wednesday to about FF3.42, near its ERM trading floor. The weakness of the franc is entirely attributed to uncertainty over the French referendum on the Maastricht treaty on Sunday. Markets still cautiously discount the likelihood of a Yes vote in which case the franc would appreciate. A Yes vote would be seen as a sign that the franc would join the mark and the Benelux currencies as the core of a first-tier ERM.

A No vote would be seen as exacerbating ERM strains, resulting in a flight into the currencies of the German economic block, including Austria, whose shilling is not an ERM member. Yesterday, the Danish crown was fixed at its floor of DM25.63 against 100 crowns. The Irish punt traded at its floor of DM2.619.

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Industry looks for further rate cut

By PATRICIA TEHAN

BRITISH industrial leaders have lost confidence in the government's handling of the economy after its about-turn over the exchange-rate mechanism and have called for further base rate cuts to follow yesterday's return to 10 per cent.

Neil Johnson, general secretary of the Engineering Employers Federation, said the government's decision to tie Britain into the ERM, sit back and wait for inflation to fall was "always a flawed strategy". Britain has been through "two years of angst and wasted time which should have been put to better use".

The Institute of Directors said the two-point cut in interest rates was not enough and called for another two-point cut before the pound rejoined the ERM. Janice Buck, its chief economist, said: "We do not need the continued pressing down of 10 per cent interest rates." Mr Johnson mirrored the IoD call. He welcomed the effective devaluation of the pound but urged the government to cut base rates further.

Sir Brian Hill, president of

the Building Employers Confederation, said: "The government has freed itself from the straitjacket of the ERM. The Chancellor should progressively reduce interest rates still further."

Howard Davies, director general of the CBI, said the interest rate reduction is welcome, but "it takes us back only to the position on Tuesday, which itself was unsatisfactory for business. There remains a need for concerted action at European level to reduce interest rates further to stimulate recovery and stabilise the system. It is clear too

that the process of decision-making within the ERM needs to be improved and that mutual confidence needs to be rebuilt before the system can operate effectively."

Ted Evans, national president of the Federation of Master Builders, said: "The life blood of my industry is all over the floor. We need a reduction in interest rates to give some momentum to the housing market."

Sir David Lees, chairman of GKN, said confidence in the government has taken a knock after four interest rate moves in 24 hours. The government

still needed to keep inflation down, stimulate the economy and provide stable lending and exchange rates.

Donald Anderson, chief economist at Courtaulds, said much of the company's sales were to dollar economies, "so the weak dollar has been difficult and translation of profits has been suffering".

Sir David Alliance, chairman of Coats Vyeila, welcomed the weaker pound which, he said, would make the British textiles industry more competitive and would be a benefit to Coats in its translation of overseas profits.

Big day after the night before

By JON ASHWORTH

FOREIGN exchange dealers survived on adrenalin, coffee and sandwiches as currency markets entered a second day of frenzied trading. Wednesday was back Thursday. If anything was worse.

For all its drama, Wednesday saw trading volume rather than swings, as the Bank of England poured an estimated £10 billion of reserves into the money markets in a vain attempt to hold the pound against the mark. Dealers, on the line to pension funds, market-makers and private clients with a taste for playing the currency markets, switched huge amounts of cash from sterling into marks and dollars.

As the telephones began ringing yesterday morning, it emerged that investors who had switched out of pounds before Britain suspended its ERM membership were eager

to buy back in at lower rates, hoping to cash in on any upward swings. Spreads on currencies were wider and the range of quotations swung widely, keeping dealers on their toes.

"It was hectic," said Rob Loevy, foreign exchange manager at Midland Bank, where some dealers had remained at their screens into the early hours of yesterday morning to follow developments in Brussels. "We saw a lot of selling of other European currencies as investors switched into marks. People are expecting Germany to do the decent thing and lower their rates."

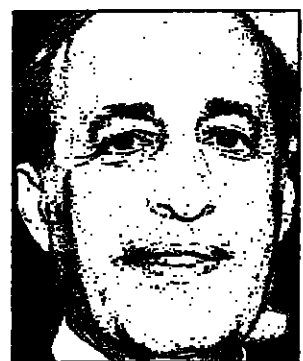
Andy Horn, a senior dealer at Barclays Global Foreign Exchange, said: "It was a frantic day. The prices being quoted were very wide. People who were short of sterling have taken profits. A wide

spread means prices tend to move a lot further, a lot faster."

Tales of fortunes lost and made swept dealing rooms. One securities house was abuzz with talk that a dealer who was not at work had lost £500,000. It transpired that he had flown off on holiday the previous night.

Events did not amuse the 21 or so UK banks which are obliged to advertise changes in base rates in three national newspapers. They have had to run advertisements on two consecutive days.

Wary dealers were due in for another early start today with the prospect of a hectic weekend ahead. After a brief respite tomorrow, many will trek back to their desks on Sunday evening ready to monitor reaction to the French referendum on Maastricht through the night.



Alliance: profit boost

Jobless total climbs to five-year peak

By ROSS TIEMAN AND COLIN NARBROUGH

THE number of jobless people claiming benefits rose by 71,541 last month, taking the total to a five-year peak of 2,845,508. After seasonal adjustments, the rise, at 47,000, was the biggest this year and nearly twice as high as economists expected.

Employment department officials were at a loss to explain the acceleration in the rate of job losses. The rise in the number of claimants had been slowing, albeit erratically, in the first half of the year.

Gillian Shephard, the employment secretary, was at an emergency cabinet meeting. But Michael Forsyth, the employment minister, said: "The UK economy is going through a difficult period, as is the world economy, and this is reflected in today's figures."

The 28th consecutive monthly rise in unemployment takes the jobless rate for the United Kingdom to 9.9 per cent after seasonal adjustments, against 9.8 per cent in June. The unemployment setback

was compounded by disappointing statistics on earnings growth and output. According to employment department figures, the underlying rise in the average earnings index in the year to July was 6 per cent. The statisticians have revised the June figure up to 6.4 per cent. The year-on-year rise in productivity is estimated to have fallen to 3.8 per cent in July from 4.4 per cent in June.

Output in manufacturing industry was unchanged in July, according to government data, confirming a disturbing flatness of production after indications of an upturn in manufacturing earlier this year.

The government had found comfort in signs that output was rising gradually, suggesting that manufacturers, not the debt-burdened consumer, would lead the economy out of its two-year recession.

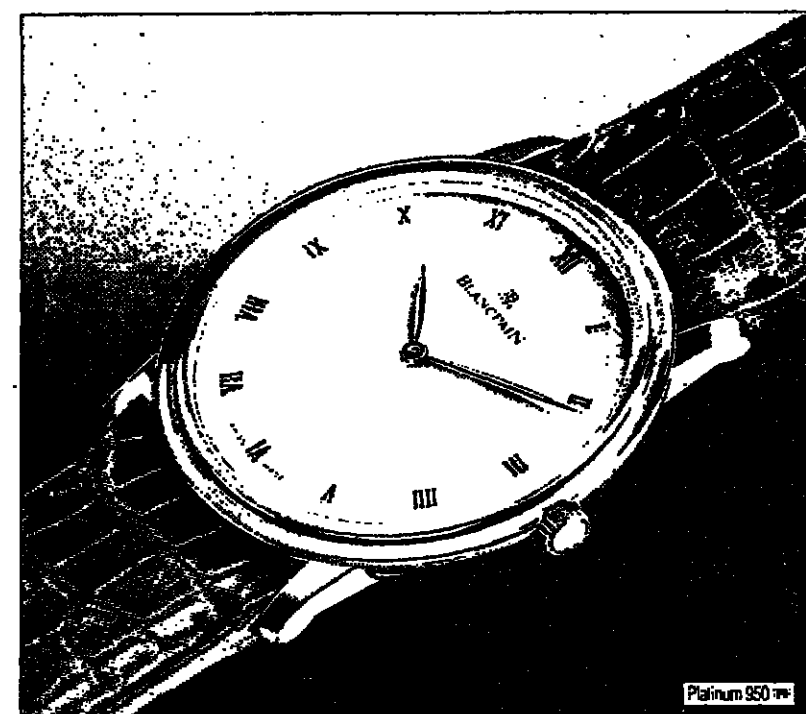
Overall industrial output, including volatile oil and production data, showed a provisional, seasonally adjusted 1 per cent rise in July, boosted by a surge in energy output, after no change in June. Government statisticians estimate the trend for industrial production is now flat, after

indicating a small decline in June. Manufacturing output, seen as a safer guide to economic activity, was unchanged in July after a 0.2 per cent fall in June. But calculations by the Central Statistical Office suggest an underlying upward trend of 1 per cent a year. The latest three months, however, were flat compared with the previous quarter. That bears out evidence from the latest Confederation of British Industry survey, which reported worsening orders and output.

The gloom is compounded by regional analysis of the jobless figures. Earlier tentative signs of shrinking dole queues in some manufacturing regions, including the East Midlands, have disappeared. Unemployment rose in every region last month, with the biggest rises in London and the South East, the South West, the West Midlands, East Anglia, the North and Northern Ireland.

The jobless total for the South East is 868,600, with half of that number in London, where the rate is now 10.8 per cent, a level exceeded only in Northern Ireland and the North.

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of
Switzerland
The World's Premier Watch Retailer

RMC falls for second year on UK recession

By JON ASHWORTH

THE sorry state of Britain's housing market has left RMC, the world's largest concrete maker, with half-time profits down for the second year running.

A collapse in British operating revenue was again largely blamed for the fall in pre-tax profits to £62.1 million in the six months to end-June. First-half profits crashed 36 per cent to £69.9 million last year. British operating profits tumbled from £51 million to £19.2 million last year, and fell to £8.8 million in the first half of 1992.

The British recession has hit RMC on two fronts. Lower demand for new homes means less ready-mixed concrete for foundations. In addition, Great Mills, its DIY chain, has been caught in a price war with B&Q and Do It All.

The continuing slump in British fortunes occurred despite efforts to reduce costs. Staff numbers have fallen from 14,500 to 11,500 since 1989, and RMC's fleet of concrete trucks has been cut from 1,250 to 950. But volume is down and margins remain weak. Production volume levels are expected to fall 8 per cent this year, on top of an 18 per cent drop in 1991, and operating margins are 2 per cent lower.

Jim Owen, managing director, said the British building services market was contracting and prices should reflect this. He gave a warning that UK margins are unlikely to improve in the second half, and the decline in production levels will probably worsen.

The bright spot is the German division, which lifted operating profits from £32.1 million to £40.5 million in the first half. In 1985, it was barely breaking even.

Group turnover increased to £1.4 billion (£1.28 billion), but earnings per share slipped to 12.1p (15.5p). The interim dividend is held at 6.6p.

ONE OF the good things about Guinness is that it has the capacity to soothe the spirits of its investors whenever life gets tough. Given the ability to generate cash — there was £120 million free cash flow in the first half — and the amount of earnings cover, the risk it took in handing shareholders a 10 per cent dividend increase yesterday, was negligible, but the action went some way towards compensating for the disappointment arising from a pre-tax profit standstill at £353 million.

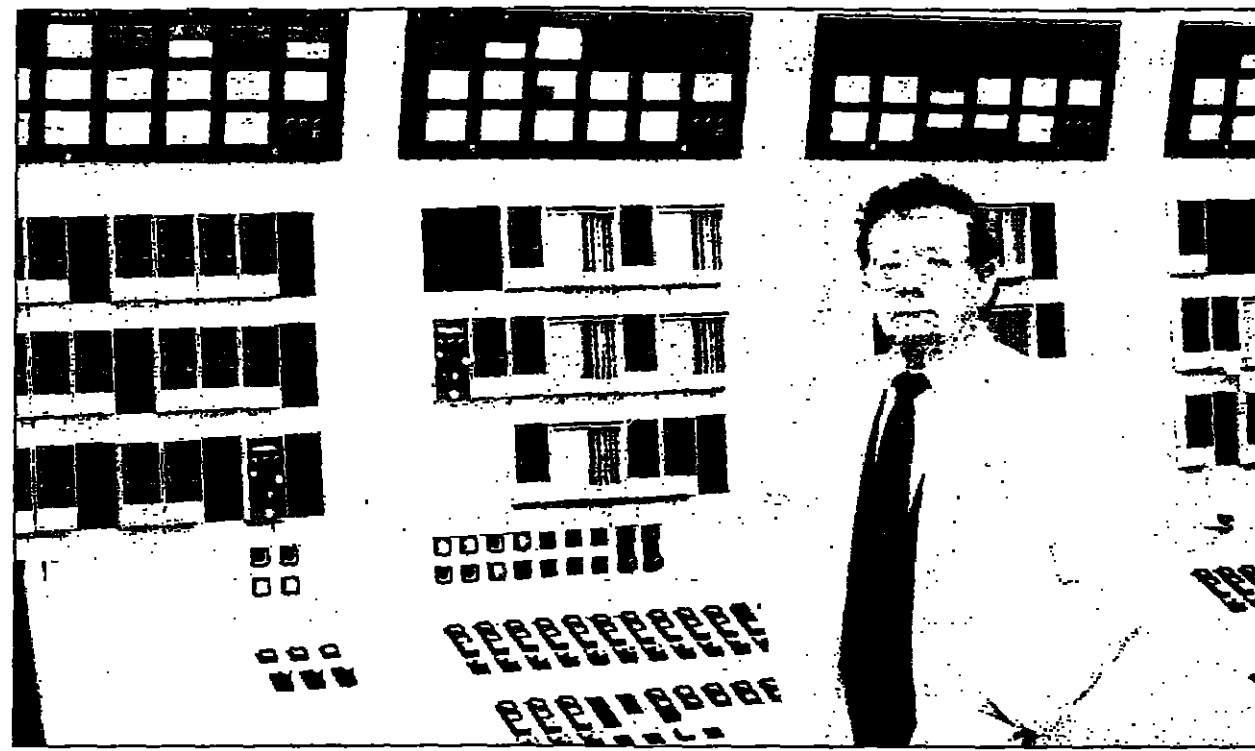
Not surprisingly, Guinness, which earns two-thirds of its profits from spirits, felt the effects of tightening wallets around the world, as consumers either drank less or switched to cheaper brands, and nowhere more than in Japan, where it has been forced into a "significant" stock reduction programme.

UK volumes fell 10 per cent, undoubtedly hit by the government's counter-productive duty increase — the revenue take is expected to fall for the second year running — and Australia is suffering, but efficiencies achieved from integrating the Glenmore business, acquired in August last year, helped produce a recovery in America. The end result was a 7 per cent rise in distilling profits.

Margins have improved significantly in brewing, where a 4 per cent growth in turnover — volume was up worldwide — translated into a 16 per cent profit increase. At home, the group cannot turn out canned beers fast enough.

The villain of the piece at the interim stage was the interest charge, up a third at £98 million, as Guinness met the cost of its acquisition programme. The impact will ease in the second half when the bulk of the new owners' profits arise.

The board was confident enough to back its dividend rise with a promise of an "acceptable" profits increase, which was being interpreted as approaching £1 billion pre-



Right formula: Ken Minton, chief executive of Laporte, has the mix to cope with the present environment

tax, against £956 million last time. Full-year earnings of about 35p would suggest a 14.7 multiple at 514p, a premium to the sector, but one that Guinness merits.

Legal & General

THE Legal & General directors, meeting on Wednesday to set the level of the insurer's interim dividend, were faced with a tricky dilemma. The results for the half year to end-June show a healthy return to profits, but how could the company dare increase its payout when 15 per cent interest rates were due to be introduced the following morning. A cold shiver must have passed through even David Prosser, Legal & General's easy-going chief executive, on the prospect, as the group has 15 per cent of the domestic mortgage guarantee market. In the event, Legal & General chose the safe and

prudent course and pegged the dividend at 6.2p. A day later, and the decision may have been very different.

The first-half pre-tax profit of £74 million, against a £56.1 million loss for the previous first six months, was helped by a £31.5 million exceptional fund management profit resulting from the transfer of the UK investment businesses to their main customer, the life fund. But the underlying improvement looked healthy enough, with a sharp reduction in general insurance losses from £115.9 million to £33 million being the salient feature.

The shares appear cheap as they trade at a 20 per cent discount to net assets of £4. They yield 8 per cent, compared with the Pru's 6.5 per cent.

The market is rightly concerned about Legal & General's perceived weaknesses compared with the Pru, its 9 per cent share of the mortgage guarantee market and

less developed distribution network. But with the new top management rolling up its sleeves and tackling the problems and the company set to make up to £110 million pre-tax profits in the current year, those fears may be overcome.

Laporte

A CONFIDENT looking Laporte, whose chief executive is Ken Minton, appears to have found the right formula to cope with the difficult environment for chemical companies. The specialty chemicals group saw half-year pre-tax profits fall from £50.3 million to £44.5 million. Much of the decline was in the Interlox businesses that were unwound from the group this May, when the tie-up with Solvay was undone.

Profits from the main Laporte businesses rose from £33.9 million to £34.9 million, and the operating profits of the Interlox businesses retained, namely Peroxy Spec-

alities, were unchanged at £5.8 million.

Earnings slipped from 20.1p to 18.8p, but the fall was broken by the cancellation of a 16.3 per cent stake held by Solvay and by a lower tax charge. The half-year dividend rises from 6.8p to 7p and the shares rose 32p to 486p. The balance sheet remains strong with debts standing at 30 per cent of shareholders' funds.

The market expects a 20p dividend for the year, up from 18.9p, putting the shares on a yield of 5.5 per cent. Profits forecasts of £90 million before tax (against £97.2 million last year) give unchanged earnings of 40p and put the shares on a multiple of 12.1.

Although Laporte shares recovered relative to the market by 3 per cent yesterday, they had fallen by a relative 20 per cent in the preceding three months, giving investors who hold on to the shares something to look forward to in the coming months.

UniChem lifts payout after profits surge

UNICHEM, the pharmaceutical distributor and retail chemist, reports a 55 per cent surge in profits and is lifting its interim dividend from 1.65p to 1.9p. Pre-tax profits for the first six months of 1992 were £15.01 million against £9.68 million the year before, on a turnover of just over £500 million, against £452 million. However, the group has decided to pull out of nappy manufacturing, where it has been up against intense competition, and is taking a £2.45 million provision on its disposal as an extraordinary item. Earnings per share are up from 6.5p to 7.6p. Jeff Harris, newly installed as chief executive, says the group has increased its share of the wholesale trade in a market that has shown satisfactory growth in prescription pharmaceuticals but weak over-the-counter trading. He attributes the strong performance to innovative marketing schemes, an increased own-label range and attention to customer service. Operating margins in both the wholesale and the retail divisions improved. UniChem is expanding its retail business rapidly. From 132 outlets last December, the number has grown to 196, principally through the acquisition of 31 Scott Chemists shops in Scotland.

Spurs back in black

TOTTENHAM Hotspur, the quoted football club, reported its first full-year profits since 1989 and promised a return to the dividend list. There was a £1.1 million increase in sales and a reduction in costs and interest payments, leaving pre-tax profits at £2.7 million for the year to May 31. In the previous year, the company made a loss of £1.8 million. Alan Sugar, chairman, said a special interim dividend would be paid once distributable profits had been determined.

Gab Ricci earnings slide

A GOLDEN handshake for a founding director added to the woes of Gab Ricci, a USM-quoted clothing group, which saw pre-tax profits slide to £24,000 (£14.3 million) in the year to June 19. Turnover declined to £19.99 million (£24.5 million). A final dividend of 0.6p (2.85p) makes a total of 2p (4.25p). Profits were affected by an exceptional charge of £250,000, including a payment of £180,000 to Alex Pyser, who founded the business with Jack Sofer, chairman, in 1973.

Bid costs hit Dowding

DOWDING & Mills, an electrical and mechanical repair group, increased its dividend despite the heavy toll of a failed bid for Torday & Carlisle, a niche engineer. A final dividend of 1.58p (1.52p) makes 2.5p (2.4p) for the year to June 30. Sales of £74.7 million (£79.6 million), down for the second year running, left pre-tax profits 22.5 per cent lower at £6.5 million (£8.4 million). The figure excludes a £633,000 extraordinary charge to cover the cost of the failed bid.

Polype buck trend

POLYPE, which makes pipes and fittings, bucked the recession in building to increase pre-tax profits from £13.9 million to £15.4 million in the year to June 30. The company is confident profits growth can be maintained. The final dividend is increased from 1.275p to 1.34p, making a total of 1.97p, up from 1.875p. Sales rose by a third to £108.3 million. There is no gearing, despite an increase in capital spending from £8 million to £12.6 million.

Wassall at the double

WASSALL, a mini-conglomerate run by former Hanson executives, said its trading prospects did not reflect the gloomy economic picture in Europe and America and continued progress was expected this year. The company doubled pre-tax profits from £3.12 million to £6.2 million in the half-year to June 30. Earnings per share rose from 3.13p to 3.46p and the interim dividend is increased from 0.67p to 0.8p. The shares rose 9p to 167p.

Premier lifts output

HIGHER oil production more than offset lower prices and brought a sharp rise in net income at Premier Consolidated Oilfields, from £4.9 million to £7.3 million in the six months to June 30. Earnings were 1.4p a share, up from 0.9p. Production averaged 14,412 barrels a day, up 38 per cent. Production at the Wynton Farm onshore field continues at high levels, averaging 75,000 barrels a day in July and August.

Davis holds payout

DAVIS Service Group, a business services company, is holding the interim dividend at 2.73p a share. It said trading and balance sheet strengths would help it weather the adverse economic climate and produce a satisfactory result for the year. In the half year to end-June, pre-tax profits rose to £8.03 million (£7.06 million), helped by interest charges down from £5.8 million to £2.53 million on disposals. Debt fell to £8.3 million (£7.78 million). Earnings were 6.39p (5.61p) a share.

Olefins fusion planned

ROYAL Dutch/Shell, the Anglo-Dutch oil and chemicals group, and Italy's Montecatini are looking at merging their worldwide polyolefins operations. The two companies currently have worldwide combined capacities of 3 million metric tonnes of polypropylene and 500,000 tonnes of polyethylene a year. Anti-trust and other appropriate authorities are being informally briefed about the plans and formal notification will follow.

John Lewis declines

JOHN Lewis Partnership made pre-tax profits of £20.2 million, down £3.6 million, in the half year to July 25. A third of the decrease was accounted for by higher interest costs, and the trading profit fall was held by 5 per cent, to £38.0 million. Waitrose, the food retailing arm, managed a sales increase of 4 per cent, helped by store openings, but there was no increase from the department stores, a result Peter Lewis, the chairman, believed was unprecedented.

COMPANY NEWS IN BRIEF

BAYNES (CHARLES) (Int)
Pre-tax: £1.88m (£3.02m)
EPS: 1.05p (1.80p)
Div: 0.525p (0.5p)

BEMROSE CORP (Int)
Pre-tax: £1.85m (£1.61m)
EPS: 7.14p (6.49p)
Div: 4.30p (4.30p)

BENTALLS (Int)
Pre-tax: £1.05m Loss
LPS: 1.63p (EPS: 0.32p)
Div: 0.60p (0.60p)

CANNING (W) (Int)
Pre-tax: £3.02m (£3.06m)
EPS: 5.90p (6.20p)
Div: 2.94p (2.94p)

EADIE HOLDINGS (Int)
Pre-tax: £85,000
EPS: 0.19p (LPS: 0.95p)
Div: Nil (nil)

ERC GROUP (Int)
Pre-tax: £535,000
EPS: 3.31p (6.74p)
Div: 1.75p (3.50p)

FOLKE GROUP (Int)
Pre-tax: £850,000
EPS: 1.25p (1.57p)
Div: 0.575p (0.575p)

E GREEN & PTNRS (Fin)
Pre-tax: £458,000
EPS: 4.3p (18.1p)
Div: 4.25p, mkg 7p (7p)

MAGNOLIA GROUP (Int)
Pre-tax: £52,000
EPS: 0.61p (3.05p)
Div: Nil (1.75p)

OLIVER GROUP (Int)
Pre-tax: £4.87m Loss
LPS: 19.28p (18.08p)
Div: Nil (0.91p)

SPANDEX (Int)
Pre-tax: £2.24m (£2.18m)
EPS: 11.2p (11.9p)
Div: 1.90p (1.90p)

MAYBORN GROUP (Int)
Pre-tax: £1.68m (£1.29m)
EPS: 5.80p (4.40p)
Div: 1.60p (1.40p)

MTL INSTRUMENTS (Int)
Pre-tax: £2.2m (£2.35m)
EPS: 8.0p (8.5p)
Div: 1.6p (1.5p)

SANDERSON M & ELDER
Pre-tax: £283,000
EPS: 2.87p (4.80p)
Div: 0.60p (0.60p)

USHER (FRANK) HLDGS
Pre-tax: £1.07m
EPS: 10.2p (7.2p)
Div: 3p, mkg 5p (4p)

Turnover, boosted by acquisition, up to £37.2m (£34.1m). No sign of upturn, but an enhanced second half performance is expected.

Turnover rose to £22.7m (£21.5m). Group expects further progress in second half, but higher sales not achievable at acceptable margins.

There was a profit of £207,000 last time. Group has decided to sell its Bentalls Charge Card business, reducing borrowings by £6m.

Sales slipped to £59.1m (£61.7m). There is uncertainty in many of group's markets, but corrective action should enable growth.

There was a loss of £354,000 last time. Balance sheet strengthened as a result of the rights issue. Improved second half is expected.

Last time's profit was £1.34m. Turnover fell to £25.3m (£28.1m). Order books are satisfactory, but tender margins are deteriorating.

Last time's profit was £850,000. Turnover fell to £22.3m (£23.4m). Company does not envisage any improvement in demand this year.

Last time's profit was £2.15m. Turnover fell to £7.74m (£11.7m). Exceptional debit: £304,000. Extraordinary credit: £133,000.

Last time's profit was £273,000. Turnover fell to £9.47m (£11m). Group saw severe downturn in second quarter sales and profits.

Last time's loss was £5.2m. Turnover rose to £37.5m (£36.8m). Any trading improvement will be diluted by one-off closure costs.

Turnover rose to £28.3m (£26.8m). Signalling material sales up. Recently signalling material computer sales constrained by recession.

Turnover rose to £17.1m (£15.2m). Group said first half performance has been satisfactory. Operating profit rose to £1.86m (£1.62m).

There was an extraordinary credit of £690,000. Turnover stood at £9.29m (£9.19m). Group's cash balance in excess of £6m.

Interim results. There was a profit of £766,000 last time. Turnover rose to £51.1m (£27.5m). Group had good August in terms of profit.

Final results. There was a profit of £776,000 last time. Turnover edged to £15.6m (£15.2m). Profits expected to continue improving.

JOHN LEWIS PARTNERSHIP plc

Department stores and Waitrose supermarkets

Consolidated unaudited results for the half year ended 25 July 1992

	1992 £m	1991 £m	% change
Sales (including VAT)	1,094.8	1,073.4	2
Trading Profit	38.0	40.1	-5
Interest	12.1	10.8	12
Pensions fund contribution	5.7	5.5	3
Surplus available for preference dividends, profit sharing and, subject to taxation, for retentions	20.2	23.8	-15

Sales and Profit

Sales were level in the department store division and increased by £20 million (4%) in Waitrose supermarkets. Costs were tightly controlled but still increased at a faster rate than sales, leading to a 5% fall in trading profit.

Profit sharing

Allocation between retentions and profit sharing is determined when the results for the year are known. The second half year is more important than the first. Preference dividends for the half year were £103,000 (£109,000).

For further details of the results and/or the John Lewis Partnership please telephone 071-828 1000 ext 6222 or write to the Chief Information Officer, 171 Victoria Street, London SW1E 5NN.

Minorco advances regardless of change

By MICHAEL TATE, CITY EDITOR

MINORCO is not allowing the transformation process, under which it is converting from an investment company into a natural resources operating group, to interfere with its financial performance. Julian Ogilvie Thompson, the chairman, reported profits 6 per cent higher at \$206 million in the year to June.

The dividend rises 6 per cent to 54 cents, the seventh consecutive annual increase, thanks to a final payment of 36 cents.

Turnover more than doubled, largely because Terra

Industries and Hudson Bay Mining and Smelting were consolidated for a full year this time. In the previous year, they were equity-accounted for all but the final quarter.

Operational cash flow totalled \$319 million, against \$176 million previously, although capital expenditure increased from \$108 million to \$154 million, reflecting the new priorities. A further \$308 million went on acquisitions and investments.

Minorco bought Buxton Lime Industries and Nash Rocks in the UK and Lausitzer

Grauwacker, a quarry business, in eastern Germany. Cash and near-cash still totalled \$1.78 billion at June 30, against \$1.89 billion the year before.

Shareholders' equity amounted to \$2.87 billion, of which about 52 per cent was represented by liquid assets, with the two main investments, Charter and Engelhard, claiming a market value of \$520 million, greater than their carrying value.

Group debt at the year end totalled \$525 million, an increase of \$95 million.



Ogilvie Thompson

Elsevier and Reed join to create publishing giant

By Graham Searjeant, Financial Editor

A GIANT in the international publishing industry should be born at the beginning of next year as a result of an agreement to merge the operations of Reed International and Elsevier of The Netherlands.

The combined group had a market value of £5.2 billion before the agreement was announced. It would earn combined pre-tax profits of £424 million this year according to the two companies' forecasts.

The deal aims to create an Anglo-Dutch group similar in structure to Unilever or Royal Dutch/Shell. The two parent groups will retain their existing identities as quoted companies but run their businesses as a single combined operation. They would also equalise their dividends up to the level paid by Reed. The board of Reed Elsevier will be drawn equally from the two companies, which will also have cross-directorships.

Peter Davis, chairman of Reed, the business publishing, magazine and Océopus book group, will become chief executive of Reed Elsevier. He said the merger was driven by long-term strategy rather than

immediate synergies, though some costs could be cut, adding: "By putting the two businesses together we can create a strong springboard to develop new products and also to buy other businesses. The combination also gives a better defensive spread of businesses."

Pierre Vinken, chairman of Elsevier, the scientific publishing group with two Dutch national newspapers, will also chair Reed Elsevier until he retires in 1995. He said the combined group would have an appetite for acquisitions on a scale neither could contemplate before. "There is a class of large publishers in the world which in principle could be taken over."

Elsevier, which bought Pergamon Press from Maxwell Communication for £440 million last year, has long wanted to link with an English language publisher to expand. It had talks with Reed five years ago and later took cross-shareholdings with Pearson, unwound last year.

Expansion in electronic publishing is a priority for the combined group, along with expansion in other European

markets and international English-language publishing. Both are strong in American business publishing.

Terms of the deal, which had been settled earlier in the week, have been upset by sterling's devaluation and will have to be redrawn during the next month. Under the original agreement, each would take a half stake in Reed Elsevier, but Reed would also be issued an 11.5 per cent stake in Elsevier to give it an interest of 56 per cent.

This retained equality of control, while reflecting Reed's greater size. Reed is changing its year end and has forecast a 25 per cent rise in pre-tax profits to £239 million for the year to end-December and a dividend increase.

Reed's eventual stake in Elsevier will be lower after the fall in sterling against the guilder, currently about 9 per cent from the assumed rate. But Mr Davis said the deal might have to be rethought if the stake disappeared altogether. Sterling devaluation will also change the proposed basis for dividend equalisation, which was to equate 0.86 Reed shares with one of Elsevier.

City analysts welcomed the merger and thought the initial terms favourable to Reed. Derek Terrington, of Kleinwort Benson, said: "I like this deal. The strategic alliance should enhance potential for earnings growth."

On the stock market, Reed shares initially jumped almost 80p to 565p but later settled at 530p, up 7p per cent against a market rise of 4.6 per cent. By contrast, Elsevier fell by nearly 9 per cent, partly because the deal would frustrate takeover hopes. Elsevier is effectively controlled by its supervisory board through a trust with high-voting shares but this will be dissolved to avoid any concentration of shareholdings or votes.

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Combined forecast, year to end December*			
	£m	Guilders	
Turnover	2,442	7,838	
Pre-tax profit	424	1,360	
Operating profit from:			
Scientific			
Professional			
Business			
Consumer mags and newspapers			
	100	100	100
Sales come from:			
UK	44	3	32
Netherlands	1	39	12
Rest of Europe	8	14	10
America	35	33	34
Rest of world	12	11	12
	100	100	100

*At pre-devaluation exchange rates



Bringing heads together: Pierre Vinken (left), of Elsevier, and Peter Davis, of Reed, will lead the new group

L&G chief calls for rate cut

By Our Insurance Correspondent

DAVID ROUGH, head of investment management at Legal & General, the insurance group, yesterday urged the government to abandon the exchange-rate mechanism and cut interest rates to 8 per cent.

Mr Rough said there was no benefit to rejoining the ERM "under the current system of 'one man, 99 per cent of the votes' when that man resides in Germany". He rejected the view that a lower exchange rate would fuel inflation but said fear of inflation could benefit index-linked and equity investments.

L&G reported no improvement in consumer confidence in the economy and no strengthening of the housing market in the first half of the year. However, a sharp reduction in general insurance losses and a £1.5 million exceptional profit on the transfer of the British investment businesses to the British life fund turned last year's £56.1 million first-half loss into a £74 million interim pre-tax profit. The interim dividend is held at 6.2p.

The British general insurance operations, excluding domestic mortgage indemnity (DMI) business, produced an insurance profit of £2 million after a £23.2 million loss for the same period last year.

First-half DMI losses fell from £88.9 million to £26.4 million, reflecting heavy provisioning last year. L&G, which takes a two-year view on likely losses from DMI, made a further £35 million of provisions, taking the total to £185 million. Profits from the life and pensions operations rose from £59.7 million to £75.4 million.

Halifax builds up profits

By Lindsay Cook, Money Editor

THE Halifax Building Society, the largest mortgage lender, reported pre-tax profits up four per cent at £318 million (£307 million) for the first half of 1992.

There was a further addition to bad debt provisions of £135 million. Of these, £121 million was for residential mortgages. The society does not disclose the number of properties taken into possession, but says this fell 40 per cent in the first six months of the year compared with the previous six months. This is the result of its efforts after initiatives by the government.

The society improved its share of the mortgage market with an estimated 19 per cent of total UK net mortgage lending compared with 14 per cent last year and 16 per cent

state of the housing market. He, however, welcomed the reinstatement of the 10 per cent bank base rate.

Total assets rose by 4 per cent to £61 billion. Net receipts were halved at £1.2 billion (£2.4 billion). This was due to strong competition from National Savings and savers making withdrawals to pay off other borrowings. Net lending was up from £1.4 billion to £2.2 billion and gross lending was up £600 million at £4.5 billion.

Abbey National, the second largest mortgage lender, reported profits down £38 million at £270 million for the first half of the year. At the end of last year it was rivaling the Halifax for mortgage market share, but now the Halifax has pulled well ahead.

Guinness pushes up interim dividend

By Our City Editor

GUINNESS, the distilling and brewing group, could only inch pre-tax profits ahead from £350 million to £355 million in the first half of 1992, as consumer spending tightened around the world. Even so, shareholders will collect a near-10 per cent increase in their interim dividend, from 3.05p to 3.35p a share.

Tony Greener, the group chief executive, said: "It should not be taken as indicating any great improvement in the second half, or even next year, but as a sign of our confidence in the longer term future of the group."

Sir Anthony Tennant, the chairman, said that while growth would not match that of the recent past, he expected "an acceptable increase in operating profits this year". Meanwhile, earnings of 12.6p a share at halfway offer the group ample room for manoeuvre in its dividend policy. Healthy operating profit increases both in spirits, which account for two-thirds of profits, and in brewing were wiped out by a higher interest charge, swollen by the cost of the group's recent heavy acquisition programme.

In the UK, volume sales of spirits were down by 10 per cent and Sir Anthony but out again at the government's taxation policy following the latest duty increase. Current excise duties appear to have "passed the point of diminishing returns," he said, with the government now almost certain to collect less revenue from spirits for the second year in succession.

The group's effective 24.3 per cent stake in LVMH, the champagne to luxury goods group, yielded £40 million, against £44 million last time.

Group net borrowings totalled £1.73 billion, or 46 per cent of shareholders' funds, against 42 per cent a year ago and 50 per cent at the end of December. Cash generation is strong, with a free cash flow of £120 million in the first half.

Tempus, page 20

APV pegs interim dividend

PRE-TAX profits at APV, which makes food processing equipment, fell 17.2 per cent to £12 million in the six months to June 30, despite turnover ahead 8.5 per cent to £437 million. APV said orders, at about £350 million, were roughly in line with the level of a year ago.

A maintained interim dividend of 2p is recommended, from earnings of 2.8p (3.3p) a share. The shares eased 3p to 79p. Sir Peter Cazalet, chairman, said there was "no clear evidence of improvement in the economic environment".

US trade gap

America's trade gap widened to \$7.82 billion in July from \$6.73 billion in June, despite the weakness of the dollar. The deficit was the biggest for 20 months. Exports fell for the fourth time in five months, a drop in commercial aircraft sales being a key factor.

Logica soars

Logica, the computer software house, achieved a 92 per cent surge in taxable profits, from £3.68 million to £7.06 million, in the year to June 30. Turnover was £200.4 million (£197.8 million). A final dividend of 2.5p (2.35p) is recommended, giving a total of 3.65p (3.5p).

Goal advances

Net income of Goal Petroleum, an independent oil exploration and production company, was up from £2.14 million to £2.35 million in the six months to June 30. Operating profits fell from £5.35 million to £4.78 million on turnover down from £21.4 million to £20.9 million.

Receiver to sell

Halls Homes and Gardens, a Kent-based supplier of conservatories, greenhouses and garden products, has gone into receivership. It employs 175 at two sites. Tony Houghton, the joint administrative receiver, said the aim was to sell the business as a going concern.

Payout raised

Campari International, a leisurewear group, has increased its interim payout from 3p to 3.25p, despite a decline in pre-tax profits from £1.53 million to £1.03 million in the six months to June 30.

Cost-cutting boosts Thames to £15m

By Jon Ashworth

STAFF cuts and higher advertising revenues have left Thames Television comfortably placed in its last months as holder of the London weekday television franchise.

Operating costs fell £8.5 million to £45 million as the company cut staff from 1,355 to 788 in preparation for life as a producer and distributor. The cuts helped Thames to a pre-tax profit of £15.2 million (£4.1 million loss) in the six months to end-June.

Earnings per share were 17.5p (8.6p) and the interim dividend is held at 2.5p. Advertising volumes increased to £122 million (£113 million). The only disappointing performer was Reeves, the American programme production arm, which made an operating loss of £3.3 million on turnover of £11 million.

Reeves has filed a complaint against MCA, its American distributor, alleging, inter alia, breach of contract, copyright infringement and negligence. Thames, whose chairman is Lord Brabourne, lost its licence to Carlton Television in last year's competitive tenders. UK Gold, the Astra satellite programme service Thames jointly founded with BBC Enterprises, is on course for launch later in the year. Thames has already sold a package of programmes to be shown on ITV next year for £28.9 million.

Christie's lowers payout as profits slide at half time

By Jonathan Prynn

THE dark cloud hanging over Lloyd's of London will bring some cheer to Christie's International, the embattled auction group, in the second half of the year.

The £1 million sale this month of the contents of a Shropshire country house owned by a suffering Lloyd's name is one of the auctions in

Christie's autumn season. Others include the sale of King James II's wedding suit, a collection of gas cooking stoves, and impressionist and contemporary paintings in London and New York.

The first six months of the year saw the global auction market bumping along the bottom for the third half in

succession. Auction sales were £290 million, marginally up on the same period last year, but only 40 per cent of the peak periods in the second half of 1989 and the first six months of 1990.

David Tyler, finance director of Christie's, said the company had responded with deep cuts in costs since the peak of the market. Staff numbers are down 13 per cent, or by 200 people, and many salaries have been frozen for more than two years.

Pre-tax profits for the period fell from £3 million to £2.1 million, against more than £40 million for the first half of 1990. Operating profits rose 18 per cent to £718,000 but net interest income fell from £2.4 million to £1.4 million, due to the impact on liquidity of collapsing profits and lower interest rates.

The interim dividend has been cut from 2.3p last year, when it was held at the 1990 level, to 0.5p. Mr Tyler said the dividend cut reflected the protracted nature of the recession and Christie's traditionally conservative approach to dividend cover. Earnings per share were 0.7p, down from 0.98p last year.

Lord Carrington, the chairman, said his successor, Sir Anthony Tennant, would be joining the board on January 1, becoming chairman at the annual meeting in May.



New order: Lord Carrington (left) and Sir Anthony

MINORCO

Preliminary announcement of results for the year to June 30, 1992

"Minorco increased its earnings and dividend despite difficult business conditions while continuing its transformation, through acquisitions and restructuring, into a natural resources operating group."

John O'Connell
J. O'Connell Thompson,
Chairman

Earnings before extraordinary items up 6% to US\$206 million (1991: US\$193 million).

Dividend up 6% to 54 US cents per share, the seventh consecutive annual increase.

Operations and treasury generated cash of US\$319 million of which US\$154 million reinvested in the business. Acquisitions and investments absorbed US\$308 million.

Good operating performances from subsidiaries with record production of gold at Independence and copper at Hudson Bay.

With the acquisition of an additional German quarry and two operations in the UK, Minorco has established the core of a European industrial minerals division.

Gross cash resources currently stand at US\$1.8 billion.

FOR THE YEAR TO JUNE 30	1992	1991
US\$ millions:		
Sales	1,667	771
Earnings before taxation	253	244
Earnings before extraordinary items	206	193
Net cash provided by operating activities	319	176
Capital expenditure	154	46
Acquisitions and investments	308	175
US\$ per share:		
Earnings before extraordinary items	1.22	1.14
Dividends declared	0.54*	0.51

*recommended by directors and subject to shareholders' approval.

FINAL DIVIDEND

The proposed final dividend for the year to June 30, 1992 of 36 US cents is payable on November 17, 1992 to shareholders of record on October 9, 1992.

The annual report will be mailed to shareholders on or about October 8, 1992. Copies may be obtained from the UK transfer agent: Barclays Regent, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, England.

MINORCO

MINORCO SOCIETE ANONYME, LUXEMBOURG, SEPTEMBER 17, 1992

STOCK MARKET

Share prices surge in heavy trading

SHARE prices enjoyed their biggest one-day rise since April 10 — the day after the general election — as hopes grew that the pound's devaluation would be enough to spark a revival of the economy and lead to lower interest rates.

The FT-SE 100 index closed near its best level of the day having surged 105.6 to 2,483.9 in heavy turnover that saw 1.36 billion shares change hands. Brokers said the figure had been swollen by market-makers trading between themselves as they tried to go long of stock in the belief that the equity market had finally bottomed out and the recovery is now under way. It takes the rise in the index so far this week to 113 points. Genuine retail business remained light, with brokers unable to deal in any real size outside of the top 200 shares.

Share prices fluctuated widely throughout the day but never moved out of positive territory after enjoying an early mark-up that carried the index more than 100 points higher. Even when the market showed signs of running out of steam, reducing its lead to just 25 points, it was revived by the Bank of England move to reduce the minimum lending rate by 2 per cent to 10 per cent — back to the level at which it started the week.

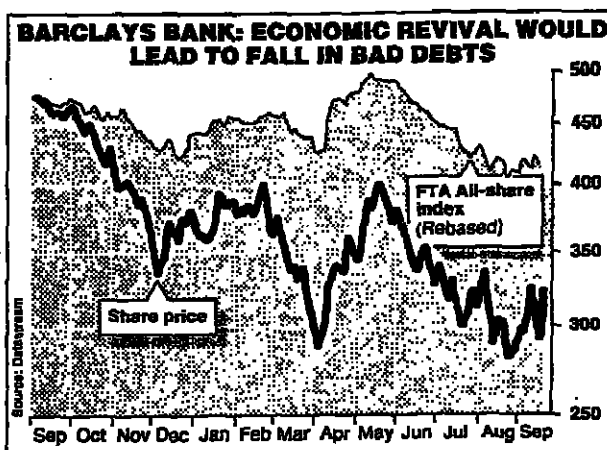
Once again, the big overseas earners attracted much of the attention. They are expected to benefit most, with the cheaper pound making them more

competitive. ICI jumped 38p to £11.05 despite whispers in the Square Mile suggesting that Goldman Sachs, the New York securities house, had placed the 10 million shares it bought from Hanson earlier this year at around the £14 level. But by the close, only 5 million had been traded, and it transpired that Schroder Investment Management had bought an extra 7 million in the market, taking its stake to 21.6 million, or 3.03 per cent.

Other dollar earners to go better included Reuters 55p to £11.95, Glaxo 14p to 813p, Wellcome 17p to 897p, SmithKline Beecham 22p to 531p, BAT Industries 24p to 816p, Grand Metropolitan 23p to 432p, Courtaulds 38p to 446p, BTR 20p to 460p, RMC Group 34p to 443p and Rolls-Royce 10p to 134p.

Reed International, the publisher, jumped 45p to 531p after announcing that it is to merge with Elsevier, the Dutch publisher.

Analysts are hoping that a revival in the economy will lead to a dramatic fall in provisions for bad and doubtful debts among the banks. Barclays led the way with a leap of 45p to 336p as 25 million shares changed hands. There were also gains in heavy turnover for Abbey National 26p to 288p, TSB Group 10p to 135p, Bank of Scotland 10p to 108p, HSBC 30p to 381p, Lloyds 36p to 435p (6.8 million shares traded), National Westminster 51p to



357p. Royal Bank of Scotland 14p to 157p, and Standard Chartered 29p to 327p. Sterling's devaluation breathed new life into those sectors most vulnerable to a high interest rate policy. The bargain hunters were out in force among the builders where there was an almost

audible sigh of relief at the government's decision to wipe out Wednesday's 5 per cent rise in bank base rates.

Solid gains were recorded in Amec 11p to 71p, Anglia Secured Homes 2p to 54p, Avonside 0p to 72p, Barrat Developments 15p to 52p.

Tate & Lyle jumped 17p to 336p as Archer-Daniels-Midland International increased its holding to 24.2 million shares. But any bid hopes are likely to be dashed by American regulatory authorities. A-D-M holds 30 per cent of the fructose corn syrup market in the US and competes with Tate's Staley subsidiary.

There was little cheer for the utilities which have been seen as an investors' haven. BT fell 4p to 339p, while losses were also nipped up in Eastern Electricity 4p to 350p, Midlands Electricity 12p to 390p, Anglian Water 9p to 408p and Severn Trent 6p to 385p.

fortunes with improvements in Meyer International, 8p better at 193p, Travis Perkins 6p to 115p, Wicks 11p to 79p, Wolseley 41p to 360p, BPF Industries 16p to 148p, Blue Circle 12p to 152p, CRH 7p to 205p, Hepworth 25p to 255p, Heywood Williams 6p to 152p, Ithstock Johnson 4p to 49p, Marley 10p to 77p, Pilkington 5p to 90p, Polypipe 5p to 100p, RMC 30p to 439p, Redland 25p to 199p, and Portland 10p to 120p.

The property sector, which has been hard hit by the recession, continued to show signs of recovery with Bilton 15p better at 285p, British Land 18p to 134p, Bradford Properties 11p to 120p, Britton Estates 5p to 115p, Chesterfield Properties 8p to 123p, Farnborough Estates 11p to 210p, Great Portland 10p to 93p, Greycoat 5p to 20p, Hammerson A 14p to 188p, Land Securities 15p to 170p, MEPC 18p to 223p, Rosehaugh 13p to 54p, Slough Estates 13p to 101p, Warners Estates 13p to 133p, and Wates City of London 4p to 28p.

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WSMICHAEL CLARK

Cautious mood as Dow goes lower

New York — The Dow Jones industrial average was mildly lower in mid-morning, but overall sentiment was firm. Traders attributed gains to a stable dollar but noted caution ahead of France's referendum on the Maastricht treaty.

The Dow was 2.97 points lower at 3,316.24 against an earlier high of 3,328.67. Advancing issues topped declining issues seven to five on volume of 34 million shares.

Frankfurt — The German stock market reached a low after the Bundesbank decided not to back up Monday's rate cuts with further action. The Dax index dropped half a dozen points after the news from the central bank's council meeting, falling as low as 1,576.9, although dealers said some of the drop stemmed from technical trading ahead of the Dax futures expiry. After spending most of the day

gripped by uncertainty and caution, the market closed 5.8 points lower at 1,578.76.

Sydney — Australian shares closed slightly firmer after drifting in a narrow range, as investors watched the currency markets. But trade was patchy after the UK's decision to suspend sterling from the ERM, and news that Italy had pulled out temporarily. The all-ordinaries index closed 5.4 points up at 1,511.8.

Nikkei closes firmer

Tokyo — Shares staged a technical rebound to close modestly firmer, although off their day's highs.

Active targeting of incentive-backed issues and index-linked buy programmes helped to buoy prices, but many investors, with a wary eye on jittery currency markets, stayed away, brokers said.

The Nikkei average closed up 171.82 points, or 0.96 per cent, to 18,116.52, with about 270 million shares traded.

Hong Kong — Shares rebounded powerfully in the afternoon in higher volume to wipe out heavy early losses on persistent rumours that China has agreed to new airport financing proposals by Britain. The Hang Seng index ended 4.77 points higher at 5,637.9 after hitting a day's low of 5,543.25.

WALL STREET

Symbol	17 Sep	16 Sep	15 Sep	14 Sep	13 Sep	12 Sep	11 Sep	10 Sep	9 Sep	8 Sep	7 Sep	6 Sep	5 Sep	4 Sep	3 Sep	2 Sep	1 Sep	30 Aug	29 Aug	28 Aug	27 Aug	26 Aug	25 Aug	24 Aug	23 Aug	22 Aug	21 Aug	20 Aug	19 Aug	18 Aug	17 Aug	16 Aug	15 Aug	14 Aug	13 Aug	12 Aug	11 Aug	10 Aug	9 Aug	8 Aug	7 Aug	6 Aug	5 Aug	4 Aug	3 Aug	2 Aug	1 Aug	31 Jul	30 Jul	29 Jul	28 Jul	27 Jul	26 Jul	25 Jul	24 Jul	23 Jul	22 Jul	21 Jul	20 Jul	19 Jul	18 Jul	17 Jul	16 Jul	15 Jul	14 Jul	13 Jul	12 Jul	11 Jul	10 Jul	9 Jul	8 Jul	7 Jul	6 Jul	5 Jul	4 Jul	3 Jul	2 Jul	1 Jul	30 Jun	29 Jun	28 Jun	27 Jun	26 Jun	25 Jun	24 Jun	23 Jun	22 Jun	21 Jun	20 Jun	19 Jun	18 Jun	17 Jun	16 Jun	15 Jun	14 Jun	13 Jun	12 Jun	11 Jun	10 Jun	9 Jun	8 Jun	7 Jun	6 Jun	5 Jun	4 Jun	3 Jun	2 Jun	1 Jun	31 May	30 May	29 May	28 May	27 May	26 May	25 May	24 May	23 May	22 May	21 May	20 May	19 May	18 May	17 May	16 May	15 May	14 May	13 May	12 May	11 May	10 May	9 May	8 May	7 May	6 May	5 May	4 May	3 May	2 May	1 May	30 Apr	29 Apr	28 Apr	27 Apr	26 Apr	25 Apr	24 Apr	23 Apr	22 Apr	21 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Apr	13 Apr	12 Apr	11 Apr	10 Apr	9 Apr	8 Apr	7 Apr	6 Apr	5 Apr	4 Apr	3 Apr	2 Apr	1 Apr	31 Mar	30 Mar	29 Mar	28 Mar	27 Mar	26 Mar	25 Mar	24 Mar	23 Mar	22 Mar	21 Mar	20 Mar	19 Mar	18 Mar	17 Mar	16 Mar	15 Mar	14 Mar	13 Mar	12 Mar	11 Mar	10 Mar	9 Mar	8 Mar	7 Mar	6 Mar	5 Mar	4 Mar	3 Mar	2 Mar	1 Mar	31 Feb	28 Feb	27 Feb	26 Feb	25 Feb	24 Feb	23 Feb	22 Feb	21 Feb	20 Feb	19 Feb	18 Feb	17 Feb	16 Feb	15 Feb	14 Feb	13 Feb	12 Feb	11 Feb	10 Feb	9 Feb	8 Feb	7 Feb	6 Feb	5 Feb	4 Feb	3 Feb	2 Feb	1 Feb	31 Jan	30 Jan	29 Jan	28 Jan	27 Jan	26 Jan	25 Jan	24 Jan	23 Jan	22 Jan	21 Jan	20 Jan	19 Jan	18 Jan	17 Jan	16 Jan	15 Jan	14 Jan	13 Jan	12 Jan	11 Jan	10 Jan	9 Jan	8 Jan	7 Jan	6 Jan	5 Jan	4 Jan	3 Jan	2 Jan	1 Jan	31 Dec	30 Dec	29 Dec	28 Dec	27 Dec	26 Dec	25 Dec	24 Dec	23 Dec	22 Dec	21 Dec	20 Dec	19 Dec	18 Dec	17 Dec	16 Dec	15 Dec	14 Dec	13 Dec	12 Dec	11 Dec	10 Dec	9 Dec	8 Dec	7 Dec	6 Dec	5 Dec	4 Dec	3 Dec	2 Dec	1 Dec	31 Nov	30 Nov	29 Nov	28 Nov	27 Nov	26 Nov	25 Nov	24 Nov	23 Nov	22 Nov	21 Nov	20 Nov	19 Nov	18 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Stop blaming the Bundesbank

By definition, scapegoats are innocent. Whitehall's choice of the Bundesbank as prime mover in the collapse of sterling, its withdrawal from the ERM and the accompanying devaluation is therefore revealing. The truly guilty parties, John Major and Norman Lamont, made a mistake all too familiar to recession-hit businesses everywhere. They tried to sell something at a price the customers reckoned to be too high. Worse still, they believed that through the man-made devices of the ERM they could protect the pound from market forces, however overpriced Britain's currency might become. And worst of all, they were yesterday attempting to sell the idea that the pound might soon return to the ERM club with no reason to believe that membership would be any less painful next time.

Blaming the Bundesbank is a soft option and one that simply does not bear close scrutiny. Messrs Lamont and Major know well that Germany's central bank is not Europe's central bank and has not entirely welcomed those who would thrust that additional role upon it. The Bundesbank's responsibilities are domestic. Bailing out the pound, the lira or any other overvalued currency, through support that inflates money supply and conflicts with its prime task, is a course of action that can hardly be welcome. Having offered the solution of an orderly realignment and seen it rejected by Britain, the Bundesbank may well have felt no further obligation to worsen its own problems.

Britain may decide that life outside the ERM is simpler and the bracing air of freedom to set interest rates helpful for a while. If so, the market would warm to a Bank of England whose hand was strengthened by a greater degree of statutory independence in the making and execution of monetary policy. The knowledge that some body was empowered and willing to take decisions a politician might find difficult would help sterling in the short run and the economy over the longer term. Far from blaming the Bundesbank, Mr Major should copy it.

Going Dutch

Reed and Elsevier could not wait to announce their merger, even though the pound's fall had wrecked the carefully constructed terms. Reed's Peter Davis says they had "the brass cheek" to go public yesterday to avoid leaks, but both sides were clearly delighted with the tale they had to tell, including mutual higher profit forecasts. Recent Anglo-French cross-border mergers have proved disastrous but the Anglo-Dutch experience has shown a closer meeting of minds. This one has been carefully constructed on the successful models of Shell and Unilever, where Nigel Stapleton, Reed's finance director, worked for 18 years. Dividends will be equalised on Reed's model, giving a big income boost to Elsevier shareholders. Close-knit voting control of Elsevier will also be unscrambled.

The two groups, which have equally unromantic but solid businesses, will gain much better sector and geographical spread but the appeal lies in the potential for expansion, especially when some big American groups need to sell assets. Reed Elsevier will start with borrowings of less than £400 million if it gets off the ground, avoiding the punishing gearing that afflicts Time Warner. Harmonisation of accounting policy might, however, shrink shareholders' funds. This has not been decided but is likely to involve Reed unwinding its practice of valuing acquired titles.

That devaluation provides the only cloud. It will require a renegotiation that could expose doubts among Dutch shareholders. Reed has a good deal but Elsevier could hardly have managed its long-planned, great leap forward any better.

In the wake of the Maxwell debacle, David Blake offers a radically alternative method of funding pensions

The Maxwell pensions scandal provides both an opportunity and a challenge. We have an opportunity to review the entire system of pension funding arrangements in Britain. We face the challenge of introducing a new system of pension funding that will survive well into the next century. The magnitude of the Maxwell scandal is so great that we must start from scratch: tinkering around with the existing system will not suffice.

If we were to imagine what an ideal pension scheme would be like, it would certainly not be the one that most of us have at the moment. It would not be an occupational scheme attached to a particular contract of employment. It seems as strange to attach a pension scheme to a contract of employment as to attach, say, a savings scheme.

What would we think if, when we started working for a company, the employer insisted that we deposit all our savings with the company? Or if the employer insisted that we could only get our savings back when we left the company, but if we left before we actually retired, we would get some unspecified sum of money returned to us? Or if the employer stated that the rate of return that we received on our savings would be both unspecified and unrelated to the rate of return that was received from investing them? Or that in the unfortunate event that the company went bankrupt, we might actually lose all our savings? In truth, we would not dream of leaving our life savings with an employer, so why leave our pension savings with one?

An ideal pension scheme has the following characteristics. It is fully portable and completely independent of the company. Adequate contributions related to the employee's salary and age are made into the scheme by both the employee and the current employer. They are tax-deductible up to separate limits. There might be a standard employee contribution rate, but the employee would be free to make additional voluntary contributions.

There would also be a standard employer contribution rate, but again employers might be induced to make additional contributions. Contributions in excess of the limits would be permitted but would not attract tax relief. The employer's contributions would cease when the employee left the company, so that the employer would be contributing to the employee's future pension only in proportion to the time that the employee worked for the company.



Nightmare on Fleet Street: Mirror Group pensioners had their worst fears realised after Robert Maxwell's death

The pension scheme would be administered by an independent trust corporation. This would be necessary to ensure adherence to tax relief limits. The administrator would be advised by actuaries to ensure that contributions were adequate. A system of competing trust corporations could be established, operating to a standardised set of deeds, which are similar to company articles of association.

The pension fund assets would be managed by an independent fund management group. Depending on their attitudes to risk, individuals could select a high-risk or low-risk investment strategy, or some combination. If they become dissatisfied with one fund manager, they could transfer to a new one. Pension fund management groups would operate on a similar basis to unit trusts. They would collect, pool and invest contributions on behalf of individuals. In return, individuals would be allocated accumulation units whose transfer values would be published daily. They could transfer between fund managers by exchanging existing units at the current bid price for units in the

preferred scheme at the offer price. This resolves the problem of transfer values they are executed at market values. The administrator executes these instructions to ensure that the proceeds are duly reinvested. The investment income and realised capital gains in the fund would accrue free of income and capital gains tax.

The pension age would be flexible and an individual could draw the pension without actually having retired. The administrator would sell the units and buy an index-linked pension annuity from an insurance company. The annuity would depend on the size of the accumulated fund, the life expectancy of the individual, and the anticipated inflation rate.

The pension scheme would therefore, in practice, be a money-purchase scheme. However, a pension scheme related to salary could also be designed. It could not be a strict final salary scheme, since it would always be possible for an individual to negotiate a "final" salary from the employer that exceeded previous salary experience and hence the contribution record.

Nevertheless, it would be possible to design a scheme based on career-revalued earnings. The revaluation factor could be related to national average earnings (as with the state earnings-related pensions scheme), or retail prices. Salary-based schemes are clearly feasible because, in the long term, real investment rates and the real growth rate in

earnings are positive, averaging between 2 per cent and 3 per cent.

Given these rates, an appropriate contribution rate and a sufficiently long contribution record, the required fund size at retirement could be expected with a high degree of probability. After all, this is nothing more than what occupational schemes already promise. What is proposed here is that the scheme is provided by the market, rather than the company.

The pension annuity would be fully linked to retail price inflation. There is no real reason why real pensions cannot be guaranteed. Since the state is largely responsible for inflation, it might be necessary for it to insure pension increases above a certain rate of inflation. This might be necessary if, during some periods, investment returns did not keep up with inflation. Nevertheless, compensation for inflation is a valuable right and the state might charge an insurance premium in return for providing this right. Part of the pension entitlement could be taken as a (taxable) lump sum. It would also be possible to buy related pension benefits

such as death-in-service benefits and a spouse's pension.

Pension scheme members would be provided with regular information about their schemes in the same way that shareholders receive information about their companies. The remuneration to the organisations involved in providing the schemes (i.e., scheme administrators, fund managers and annuity providers) would be determined competitively and be published, but should not be front-end loaded. In other words, there should not be a high initial fixed charge that in effect ties an individual to a particular, and possibly inefficient or uncompetitive, organisation. Finally, the pension industry would be supervised by a regulator who would also operate a compensation scheme in the event of fraud or malpractice, financed by a levy on all pension funds.

What are the advantages of such a pension scheme? Most importantly it personalises pension arrangements in precisely the same way that most other financial matters are personalised. In doing this, it eliminates all the potential conflicts of interest between the employee and the company, or between the early

leaver and the long stayer. Further, it explicitly identifies where responsibilities lie: the employee and the employer for making adequate and timely contributions, the administrator for operating the scheme; the fund manager for running the pension fund for the benefit of the pensioner; the insurance company for providing the pension annuity; and the state for compensating the pensioner for "excessive" inflation and for regulating the industry.

How should the present pension system in the UK be changed? Existing occupational schemes could be closed to new members and allowed to die a natural death, although this would take the best part of a century to occur. A more radical proposal would be to introduce the changeover immediately. Companies would recover either surpluses or fund deficits and the remaining pension fund assets would be utilised and allocated to personal pension funds.

To reduce break-up costs and financial market uncertainty, occupational schemes would establish themselves as independent administrators running the individual funds of the former occupational schemes. They would immediately compete for new business, and individuals would be free to transfer their units elsewhere. Natural inertia would minimise financial market disruption.

Protagonists of occupational pensions claim that few personal pension scheme members would end up with pensions worth two thirds of final salary because such schemes cannot guarantee a pension at retirement that is linked to final salary, as with occupational schemes. The counter-argument is: when the rights of early leavers are so poor and when the average individual changes jobs four times during his or her career, how many members of occupational schemes actually end up with such a pension under current arrangements?

To implement the ideal pensions scheme will take a Pension Act. This was first suggested to the Wilson Committee in 1980 but the pension funds persuaded the committee against it. There can be no further delay. The author is Senior Lecturer in Financial Economics at Birkbeck College, University of London.

THE TIMES CITY DIARY

The 8 billion pound man

FOREIGN exchange traders, practised in the use of Cockney rhyming slang — with sterling-dollar known as Betty Grable because it rhymes with sterling cable — have invented a new monetary unit. After government intervention in support of the pound, units of £8 billion are now being referred to as "lamonts". Adding to Norman Lamont's woes, Ron Pollard, ex-Ladbroke, the man who invented political betting in the 1980s, says that the odds on the Chancellor's resignation "by Sunday night" are such a certainty that he would not offer a price. "The only question is whether Major will go down with him," says Pollard. He would offer odds of 5-2 on Major still being prime minister at the next Budget, 7-4 against. As for their successors, Pollard cites Kenneth Clarke as the "odds on favourite" to become Chancellor, with Heseline favourite to succeed Major, followed by Clarke (2-1). "But deep down I think Hurd will be our next prime minister," says Pollard. "The British public does not choose the prime minister, Tory MPs do, and many of them blame Heseline for the fact that Thatcher is not there now to deal with this mess. They would see Hurd as a safe pair of hands."

Bunker games

SO WHO gave *Newsnight* the brilliant idea of doing its "crisis" coverage on Wednesday



Pollard: shrewd observer

night from Churchill's Whitehall bunker? Not Jeremy Paxman, but Charles Morgan, a Kleinwort Benson man who that morning had had a letter published in *The Times* asking whether the Germans now regard economics as "the continuation of war by other means". *Newsnight* pounced on the idea, playing on the cabinet's bunker mentality, and brandishing Morgan's letter on air — a moment of glory that Morgan, stationed all night at his desk, missed. He is now desperate to see a video of the programme so if anyone happened to record it, Morgan's your man.

Eastern promise

AWAY from the temporary turbulence of its UK equity research department, UBS Phillips & Drew must be making some comfort that things are progressing rather more smoothly in its Far Eastern division. Insisting that it is purely coincidental, UBS P&D has effectively re-assembled the

Far Eastern team that operated at Rowe & Pitman/Warburg Securities in the early to mid-eighties. Harry Wells, 38, is due to start in a week's time as the new head of Far Eastern equity sales in London. Wells, at present with Credit Lyonnais, was managing director of Rowe & Pitman's Hong Kong office in 1980. In October, he will find his new P&D team boosted by the arrival of Richard Bonsor, 45, from Matheson Securities, as a director of East Asian equities. Out in Singapore, meanwhile, will be Mark Hadsley-Chaplin, 31, who this week moved from the Warburg office there to P&D, as the most senior member of the team, and Mark Kan, previously with GK Goh, who will join in November as head of the dealing desk. A spokeswoman said: "This team is a new entity, intended to give us a real presence in East Asia."

Sush... GEC

AN UNGUARDED moment in the discreet inner sanctums of Aykoku Kaku, a Japanese restaurant near Cannon Street, left two diners intrigued one lunchtime this week. As the City eavesdroppers tucked into their *sushi*, the door to one of the private rooms opened to show a gathering of murmuring Japanese. Above the murmur came the boom of a plummy English voice enquiring: "So when do we hit GEC?" The two diners left before the identities of the party were revealed, but perhaps Lord Weinstock should be told.

CAROL LEONARD

UK has paid for German unity

From Mr Philip Turner
Sir, Having warned in a letter to *The Times* (January 8, 1991) about the perils of the exchange-rate mechanism, I feel entitled to another crack.

The current upheaval in the ERM is in fact a Deutschmark crisis. Although the UK press have liked to call it a sterling crisis, it has only been made so by the less than clever handling of the situation by Mr Lamont.

It is now clear to all that Germany's domestic preoccupation with the high costs of reunification and its gradual loss of competitiveness must not be allowed to set economic policy for the rest of Europe, whose problems are of a quite different and less intractable nature.

What has occurred in the last few days is not the fault of speculators but of an unworkable and undesirable policy. Foreign exchange markets

know a one-way street when they see one.

Until now, the UK has borne a huge cost for these mistaken policies in terms of lost output and unemployment as we, in effect, helped to pay for German reunification and ultimately to strengthen the position of our major competitor.

Having temporarily broken free, it would be a tragedy if we rejoined the ERM again before Germany's special problems are resolved.

The clear strategy is to allow sterling to float freely for the foreseeable future and adjust present interest rates downwards to a level (far below present rates) more appropriate for the parlous state of the national economy. Yours faithfully, PHILIP G. TURNER, Wassall Plc, 39 Victoria Street, SW1.

Punitive VAT rate deters consumer spending

From Mr Anthony Trotman
Sir, Whenever members of the government appear on television news bulletins they look mystified as to why the public is not spending more money. It never seems to occur to them that the high rate of value-added tax is responsible.

I have recently had to have the exterior of this old house re-painted. The VAT I had to

pay on the bill was the equivalent of £1 for every day of this leap year. I could have bought quite a few requisites for this £366 in the high street. It will be quite some time before another opportunity recurs. Yours faithfully, ANTHONY TROTMAN, 17 Eastcourt Road, Salisbury, Wiltshire.

Indian lesson on company losses and salary

From Mr Anthony Good
Sir, I was interested to learn on a visit to India, from which I have just returned, that Indian company law carries a provision compelling directors to take a 10 per cent cut in pay if their company moves into loss.

Is this not an example that we should follow? Yours truly, ANTHONY GOOD (Chairman), Cox & Kings, 39 Bullingham Mansions, Kensington Church Street, W8.

INTERIM 92 ANNOUNCEMENT

Half year to 30th June 1992

Highlights of Unaudited Group Results

	1992	1991
TURNOVER	\$1,404.6m	\$1,284.5m
PROFIT BEFORE TAXATION	\$62.1m	\$69.9m
EARNINGS PER SHARE	12.1p	15.3p
DIVIDEND	6.6p	6.6p

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Portfolio

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No	Company	Group	Gain or Loss
1	CPH	Building, Rtd.	1.00
2	Scott & New	Beverages	1.00
3	Victors	Industrial	1.00
4	First Nat Fin	Banking, Rtd.	1.00
5	Prudential	Insurance	1.00
6	Investor MIM	Financial Trusts	1.00
7	Alumina	Industrial	1.00
8	London & Man	Finance	1.00
9	Unilever	Food	1.00
10	Sedgwick	Insurance	1.00
11	Macfarlane	Industrial	1.00
12	Miele	Industrial	1.00
13	Rentokil	Chemicals	1.00
14	FR Group	Motor, Rtd.	1.00
15	Storehouse	Drugs, Rtd.	1.00
16	Moscow (I)	Building, Rtd.	1.00
17	P-E Internl	Electrical	1.00
18	Johnson Clean	Industrial	1.00
19	Sage Co	Electrical	1.00
20	Bradford	Insurance	1.00
21	Cham Farm Ind	Manufacturing	1.00
22	Wardlaw	Food	1.00
23	Booker	Food	1.00
24	Meyer Int	Building, Rtd.	1.00
25	Aut New 2	Banking, Rtd.	1.00
26	Kwik-Fit	Motor, Rtd.	1.00
27	ASW	Industrial	1.00
28	Cherfield	Property	1.00
29	Surge Hides	Insurance	1.00
30	Woodside	Oil, Gas	1.00
31	Avon Rubber	Industrial	1.00
32	GRE	Insurance	1.00
33	Harmony	Mining	1.00
34	AB Food	Food	1.00
35	Thames & Birm	Transport	1.00
36	Laing (I)	Building, Rtd.	1.00
37	Transport Dev	Transport	1.00
38	BM Co	Industrial	1.00
39	BE Rand Gold	Mining	1.00
40	Grady	Electrical	1.00
41	Soton Health	Industrial	1.00
42	Br Polychem	Industrial	1.00

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MON	TUE	WED	THU	FRI	SAT	WEEKLY
1.00	1.00	1.00	1.00	1.00	1.00	1.00

The £2,000 Portfolio Platinum prize was won yesterday by Mrs S Diley of Hampton, Middlesex.

1992	High	Low	Company	Price	Net Yld	P/E
1	1.00	0.99	ABN	1.00	1.00	1.00

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Gains extended

ACCOUNT DAYS: Dealings began September 7. Dealings end today. Settlement day Monday. Settlement day September 28. Forward bargains are permitted on two previous business days. Prices recorded are at market close. Changes are calculated on the previous day's close, but adjustments are made when a stock is ex-dividend. Changes, yields and price/earnings ratios are based on middle prices.

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How the law-breakers escape

Matthew May
discovers why
companies are
reluctant to report
computer crime

The Computer Misuse Act became law two years ago and introduced three criminal offences punishable with unlimited fines and up to five years' jail. The Act covers anything from unauthorised hacking into computer files to the more serious crimes of destroying data using viruses and breaking into a computer with the intention of committing a further offence, such as theft.

There have been few prosecutions and this could be seen to mean that the new law has been a deterrent. Computer experts, however, are convinced that misuse is still rife. They are also worried that the ability to damage a computer system is becoming even easier with the advent of programs that contain ready-to-go viruses, so that disenchanted employees and others do not have to be computer-literate enough to write their own programs.

For example, Virus Construction Lab (VCL), a program recently discovered in the United States, promises to make virtually anybody into a "computer terrorist". VCL offers a huge range of viruses, from the merely annoying that flash messages on a computer screen to those designed to destroy the information held in a system.

"The programs are fairly primitive and their effects are not too difficult to sort out," says Edward Wilding, the editor of *The Virus Bulletin*, a monthly newsletter, "but there is considerable worry that they will soon become more sophisticated and a real danger to company computer systems." In Britain, the term "hack-mailer" has arrived, referring to people altering programs so that they will not run properly, usually after a certain date. Their use ranges from straightforward criminal demands for money to the legal minefield of individual freelance programmers or small software houses placing such "logic bombs" in a client's programs, with the threat of activating them if they are not paid.

Mr Wilding says: "We are finding

'Programmers are using logic bombs in clients' software to ensure payment'

contract programmers using logic bombs to ensure that their continued services are required. This is illegal under the Computer Misuse Act, although it becomes more arguable if their intended use to ensure payment has been outlined in the small print. Estimates of the amount lost in the UK from crimes involving the use of computers vary but all are huge, ranging from £400 million to £2 billion a year. So why have there been so few prosecutions under the Computer Misuse Act? According



Virus warning: "There is a worry that the programs will soon become more sophisticated and a real danger," Edward Wilding says

to a report prepared for the trade and industry department by Coopers & Lybrand, the management consultancy, and published this week, one reason is that most companies will not report cases of computer misuse. This is particularly true where a member or former member of staff is

involved. Most known computer crime cases are in this category.

The report, "Dealing with Computer Misuse", says embarrassment is a main discouragement. "A prosecution would indicate a weakness in their business systems to shareholders, potential customers and competitors, which could undermine their confidence in them," the report observes.

Mr Wilding says: "Companies just will not prosecute and corrupt programmers are still able to move on to other companies because everybody is keeping quiet. We advise organisations that contact us to tell the Metropolitan Police computer crime unit, but we do not pass on details of the companies concerned."

The lack of prosecutions has made the problem worse, the report says. Companies fear there could be a lot of public interest in the first few large cases, creating unwanted publicity.

Even worse, companies doubt whether they would derive any direct

benefit from prosecution because "unlike a civil claim, there is no restitutive element in a prosecution for computer misuse, nor any possibility for compensation". One answer could be to make it obligatory to report misuse to some central authority. Coopers & Lybrand rejects this as

Some businesses fear the police lack the resources to get convictions

too difficult to enforce and says it could set an unjustifiable precedent.

Instead, the report outlines less severe options, such as encouraging the public sector to proceed with cases to reduce the novelty value, or persuading insurance companies to put pressure on companies to report cases.

However, unlike other crimes, such as fraud, where companies are seen as far more willing to pursue prosecutions, the report found little evidence that businesses have insured them-

selves against the consequences of misuse. Until that happens insurance companies cannot press companies to prosecute.

Some companies also say they are reluctant to use the Act because of concern about the police's technical ability and resources to get a conviction. This fear is unfounded, the report says, partly because the low use of the Act means that the police resources for computer crime are adequate, but it recommends increasing the number of officers dealing with an expected rise in prosecutions.

However, unless companies become more willing to report misuse, the hackers who attack the right company need fear prosecution far less than they would if they indulged in more traditional crimes.

Your office in the air

Business passengers will soon be able to keep working on flights

Business passengers on commercial airlines used to be able to sink into their seats and forget their worries. However, thanks to computer and satellite technology, they will soon no longer be incommunicado as fax machines, electronic mail and "airphones" will reconnect them to businesses.

The large airlines are using the innovations to add to their in-flight services to get a competitive edge. Designs for new planes include computer networks allowing passengers to continue working as if they had not left the office. In the United States Northwest Airlines has begun installing "interactive video units" in all its Boeing 747s. Such systems allow passengers to use a small video screen in the back of the seat in front to send faxes, make telephone calls



and hotel and car reservations. receive information about connecting flights, view video films, order drinks, food and duty-free goods and play video games. Northwest intends to add a satellite link so that it can show live television, including news coverage and sports events, and give stock quotes.

The seatback revolution is starting in airlines all over the world. Air Canada offers only seatback telephones. Passengers must wipe their credit card through a magnetic reader to use the telephone and pay £2.50 a minute for international calls, plus a flat connection fee of £2.50 a call. The telephones are

available throughout the aircraft, while most seatback technology is available only in first or business class.

Virgin Atlantic is more concerned with using technology to improve in-flight entertainment. Last year, Virgin became the first airline with individual colour seatback screens for every passenger on its wide-bodied aircraft. During the past year, the company has installed colour, 4in and 6in seatback displays in its 747s and offers a choice of six on-board television channels. Richard Branson, Virgin Atlantic's chairman, an enthusiast for on-board

video services, offered individual portable video machines to passengers in his "upper class". Virgin's half-way house between business and first class, for in-flight use before seatback video systems became available. British Airways is spending millions on seatback video systems in first and business class.

Lufthansa is investing in an interactive video system. For all the new Airbus A340s planes it is buying next year, replace its ageing DC-10s.

Figures released earlier this year by the World Airline Entertainment Association indicate that by 1995 the number of aircraft offering a video entertainment system will be double the number in 1989 when the systems were first widely offered.

GEORGE WHEELWRIGHT

Technology shows that projection is often better than reflection

Looking-glass fantasy

Walt Disney's fantasy of the talking mirror which flattered Snow White's wicked stepmother and gave her a beautiful reflection has come a step closer.

An Anglo-German team has developed an electronic mirror. When a person is present, it displays three-dimensional messages, images, advertisements or pastoral scenes, accompanied by a soundtrack.

Used in a bathroom during morning ablutions, it could replace a bath's haggard appearance with a tanned and youthful image as captured on a holiday transparency loaded into the device. Meanwhile, the sound system could offer compliments or, for extra morning pep, play a military march or the 1812 Overture.

The device has been developed by EC Tronics, of Brighton, and was unveiled this week at the Seaboard Technology Fair. At its heart are a microchip and an infra-red beam. When somebody stands near the mirror, the beam detects the presence and a sequence of up to ten pre-set images and a synchronised recording are triggered.

Owners of the device, called the Audio-Vision Mirror, can load their own transparencies and record their own soundtracks. The system has a powerful, low-voltage halogen lamp, which illuminates the scenes. Potentially, the system could be developed to carry moving images or to sense the sex of the person standing before the mirror.

John Shouler, a director of the company, says the mirror is attracting enormous interest. In January, the company



If you want to improve the truth... the Audio-Vision Mirror can show ten pictures

will ship its first order of 10,000 to the Continent, where they will be used to display menus in German coffee houses.

Mr Shouler says the applications are limitless: "It could be used by a company advertising its products, a hotel advertising its services or a golf club advertising its facilities. One company has suggested we could apply it to safety applica-

tions. As a person goes from a safe area to a hazardous area, the mirror could alert him to the dangers."

Other commercial uses foreseen for the mirrors, which come in different sizes, include displaying railway timetables and services. In art galleries or the home, such a mirror could be used to display pleasing paintings by famous artists, while in the bath a vanity

version could be programmed to show mountain streams and icebergs accompanied by Sibelius's *Finlandia*. "You can do what you like with it," Mr Shouler says. "If you want to stand in front of it and hear it, say, 'Mirror, mirror, on the wall... it can be done. It will appeal to vain people, I suppose.'"

NICK NUTTALL

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FOOTNOTES

□ Unofficial copying of software for Apple Macintosh computers is costing more than £20 million a year, says the Federation Against Software Theft. The federation has just published the result of an 18-month survey.
□ Sony's new minidisc hi-fi system will be in stores

around the world by the end of the year, in time to compete with rival digital compact cassette systems for the Christmas market.
□ Japan's Sanyo Electric and Thomson Consumer Electronics of France have developed a semiconductor chip that simplifies colour television manufacturing by allowing adjustments to be made by computer instead of by hand.

Briefcase Encounter.

Tues 15 Sept 1992: Toshiba launch new range of entry level notebooks. T1800 386SX 20MHz has 40Mb hard disk, 2Mb RAM, 64 shade high contrast display, 5 hour battery. Available today. Morse price £935. Morse also have news of 25MHz T1850 and T1850C with colour LCD.

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Hey presto for business

Electronic data interchange (EDI) could change the face of trading in Britain. Jane Bird reports

Anyone who has been promised that "the cheque is in the post" knows the problems of paper-based trading. Even when the cheque finally arrives, it may be payable to the wrong person or filled in for an incorrect amount.

From invoices and shipping advice to remittances and banker's orders, the problems are the same: paper can be slow, unwieldy and prone to error.

Now technology is coming to the rescue, with a computerised trading technique known as electronic data interchange (EDI), which is faster, cheaper and much more accurate.

The idea emerged in the mid 1980s, when computers and telecommunications equipment had been installed in companies for a wide range of activities, from production and distribution to accounts and marketing. Extending computer links beyond the company was the next logical step.

This enables a retailer to place electronic orders with a supplier, who can then transmit a shipping advice note when the goods are dispatched. Invoices and remittance advice can also be generated automatically.

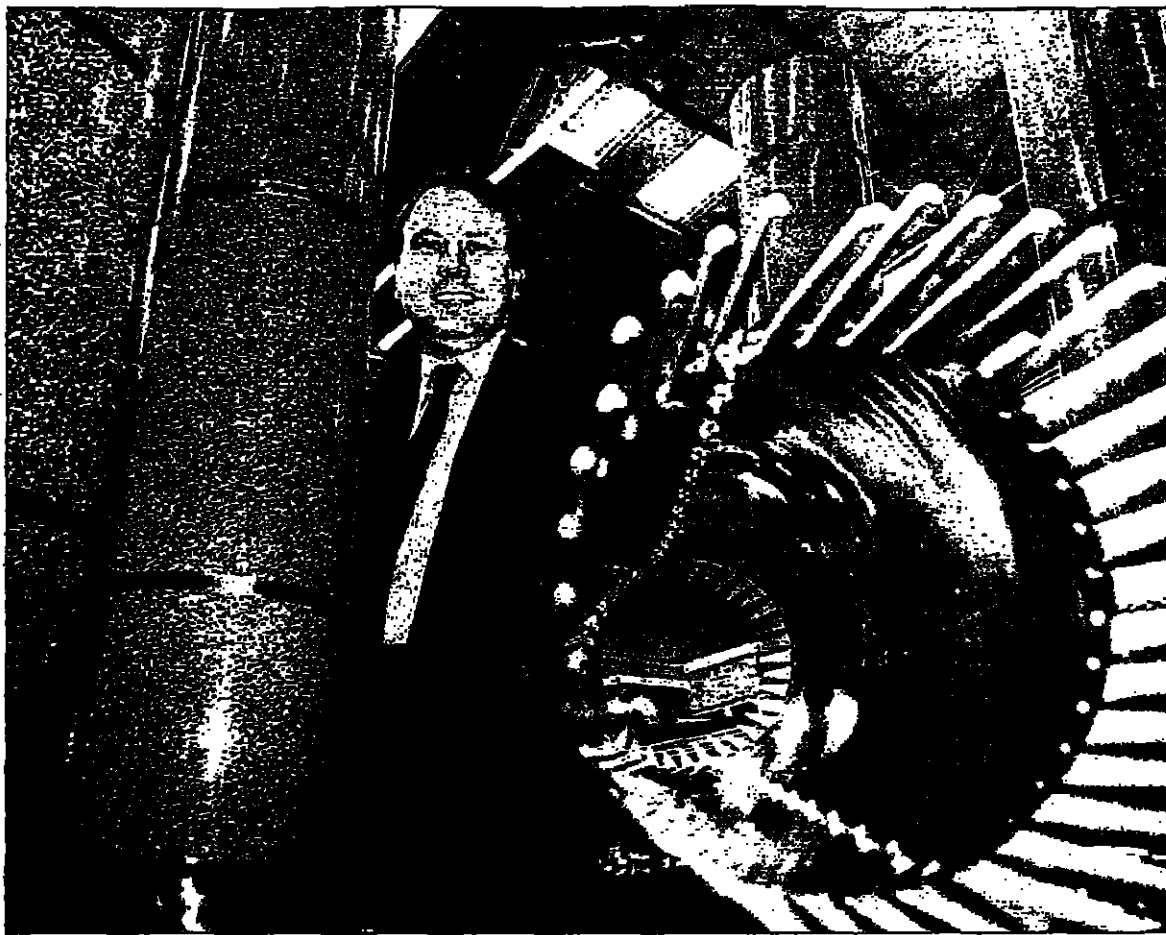
More than six thousand companies in Britain are estimated to be using electronic trading. They range from corporations to small businesses, and forecasts suggest that within the next two or three years, EDI will be used by more than 50,000 firms worldwide.

Speed is a big bonus. Data sent by post and processed manually can take days or even weeks. EDI takes less time than sealing an envelope, so orders can be placed and confirmed in seconds.

By eliminating manual processes, EDI reduces the opportunity for mistakes. Research shows that around 70 per cent of information being entered into computers has previously been printed out by other computers. At each stage, inaccuracies may creep in. Some 40 per cent of invoices sent or received by European companies contain errors, and the statistics for inaccurate purchase orders and dispatch notes are just as bad.

Electronic trading can reduce costs too. One study in the United States claims that switching to EDI can reduce the cost of processing a form by nine-tenths.

These cost-cutting and time-saving



Paul Padley with communication cable seals: "Orders from customers are fed directly into the computer"

factors attracted Paul Padley, information services manager of Raychem, which has implemented EDI at its manufacturing plant in Swindon, Wiltshire, where it makes heat-shrink-

Padley's list for transition to EDI, in preparation for the single European market.

The motor industry has also been using EDI as an effective method of keeping in touch with its many dealers and supplying spare parts more quickly.



"Orders from customers such as BT and British Aerospace are fed directly into the computer, and instructions are generated for warehouse staff," says Mr Padley. "Staff can then package the goods, label them with appropriate part-names for individual customers, and dispatch them by 5pm the same day. Our aim was to process orders more quickly, and especially more accurately. By minimising human contact with the business transaction, we have dramatically shortened the cycle time."

Customs declarations are next on Mr

push inventory further and further back up the supply chain, so that the person who does not have EDI is the one left holding all the stock," says Colin Billinge, the marketing

director of International Network Services, which runs Britain's biggest EDI network.

Although it is technically feasible to set up EDI links directly with customers and suppliers, this can become difficult as a network grows. So most EDI is conducted through a third-party network service, such as INS or BT's Edinet.

The multiplicity of services does create problems, because they tend to require data in different forms. "As yet there are no definitive standards," says Mr Padley. "There is always a discretionary element which tends to mean everyone does something different."

Further difficulties are emerging as EDI users attempt to "close the loop" and round off their electronic transactions with automatic payment. Banks have often locked customers into proprietary systems, although work is now proceeding on common standards, which will allow customers to switch freely between different banks.

A conference on electronic data interchange, EDI 92, will take place at the International Convention Centre, Birmingham, October 6-8.

Britain takes the lead in Europe

More trade by electronic links is predicted as the single market approaches

There are between 6,000 and 7,000 users of EDI in the UK, including one in four of all organisations with more than 100 employees. This number is expected to grow by 25 to 30 per cent a year during the next few years, according to a survey by PFA Research, a specialist EDI consultancy.

The businesses that have taken the plunge are expected to increase the volume of electronic messages passing between trading partners at least fourfold by 1995.

Traffic over INS, one of the UK's leading EDI networks, has grown by 50 per cent this year, and other large networks, such as AT&T-Easylink and IBM, have had similar growth.

IBM says eight gigabytes of UK data pass over its European network, out of a European total of 12.5 gigabytes, showing that the UK is well ahead of the rest of Europe.

However, the PFA survey, which covered 1,100 companies, estimates that only 3 per cent of business transactions in the UK are transmitted electronically.

"EDI used to be only for the brave," says Jim Wilkinson, the managing director of AT&T-Easylink UK, "but now it is becoming much easier to justify expenditure on it."

Lee Tate, the managing director of INS, admits, however, that this happens only when a large retailer has written to suppliers telling them politely that they should accept orders electronically, or else they cannot expect any more business. Nearly half the businesses adopting EDI did so because of pressure from an important customer, against 37 per cent who do it to "improve business performance", the survey says.

The survey reports that only 11 per cent of established users say they have derived no benefit, whereas nearly half claim improved speed, 35 per

cent error reduction and 30 per cent administrative savings. One development is that businesses that started EDI as more or less unwilling "spokes" to a dominant "hub" customer, are themselves becoming hubs by persuading their suppliers to trade with them electronically, spreading EDI down the supply chain.

EDI is still largely for domestic trade — only 15 per cent have EDI transactions with overseas trading partners, though the advent of the single market next year is changing this. INS, for example, has seen 200 overseas customers link to UK companies during the past two years and expects many more as large retailers such as Tesco and Boots trade electronically with their European suppliers.

One surprise of the survey is that 95 per cent of users are said still to pass their electronic messages through the specialist EDI networks.

Experienced EDI users were always thought likely to abandon these for direct connections once they no longer needed the useful but expensive training, security and auditing services that these network operators can provide.

EDI is becoming international. Another surprise of the survey is the prevalence of the Edifact message standard, the international Esperanto of EDI, adopted by 43 per cent of the users. Although Tradacoms, the older "national" computer language of EDI, meant purely for the UK, is still dominant, it is only just so. Altogether 58 per cent of customers use Tradacoms and 43 per cent Edifact. The balance is expected to tip the other way.

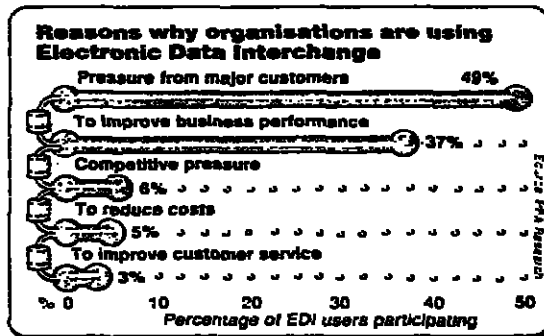
Government departments are increasing their use of EDI and are bound by European Community rules to use the international standard. In the past, EDI in the UK has been administered haphazardly, on an industry-by-industry basis. To reflect the growth of the market, the various EDI groups are expanding.

The Article Numbering Association (ANA), which has driven EDI in retail, has doubled its permanent staff of standard makers, consultants and marketing people, while the EDI Association, which started in the transport industry, has taken on special interest groups for government and education, and

is changing from being a purely voluntary organisation. In the past, there has been creative tension between the two bodies, which have worked with different standards. The ANA has been more concerned with domestic trade and the EDI Association has concentrated on international trade and finance.

The single European market and the widening of EDI over all sectors of the economy has made this split increasingly harmful, and this year the two bodies have been co-operating, particularly on defining what industry needs from the banks to achieve successful electronic payment systems.

RICHARD SARSON



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Retailers go on line

Britain's lead in the use of electronic data interchange (EDI) is creating an increasing international dimension to exploit the advantages of electronic trading in retailing.

Although supermarket chains have been in the forefront of EDI development, non-food sectors are also making advances. Among them is B & Q, the market leader in do-it-yourself retailing, and part of the Kingfisher group, which owns Woolworth.

B & Q is so committed to EDI that it now tells new suppliers: "We will only deal with you electronically."

Des Lee, B & Q's information technology director, has had long experience with electronic systems, first at Rowntree Mackintosh, the food and confectionery manufacturer, then in insurance at Lloyd's of London.

B & Q uses suppliers in many countries, from north America to the Far East, as well as on the Continent. Most of its British suppliers trade with B & Q electronically, and it is also working on problems such as different payment methods in other countries.

"We work to the quick-response philosophy, so our stocks are at an absolute minimum," Mr Lee says.

The days of guesswork about stock levels are ending, as Britain's big stores adopt new systems, reports Derek Harris

"Yet if you do not have the goods on the shelf, you do not sell them."

Some gardening products, such as plants, have a limited shelf-life because peak condition has to be achieved and maintained, but these suppliers have now been fully integrated into the EDI system.

Quick response may be good for the retailer but what about the supplier? "It is all very well screaming at a supplier for product delivery but the problem is that the supplier in turn will be working to a just-in-time philosophy to achieve the best stock control."

Mr Lee says. The best way to resolve the two approaches, he believes, is good forecasting. But this can raise its own problems.

"You know what should sell at different seasons — and so on — but you can get it wrong if you are not extremely careful and agile," Mr

Lee says. "Otherwise, you can have no product when you need it and loss when you do not."

Another bluechip retailer with a burgeoning international EDI network is the Sears group, which has retailing interests including Selfridges, Olympus sports goods and footwear chains, including Dolcis, Saxone, Lilley & Skinner, and Freeman Hardy & Willis.

Sears, which has 15,000 suppliers around the world, began its drive into electronic trading earlier this year. By the end of the year, it expects to

have 100 key suppliers on an EDI network. Within three years, John Wheeler, head of the Sears group information systems, expects that most of the group's trade will be done electronically. "It will take time to get there because it is not just about waving pieces of technol-

ogy at people," he says. "It is about how we exchange information with our suppliers, about real partnership with suppliers and the two sides growing closer together. The EDI technology is simply a catalyst for such a change."

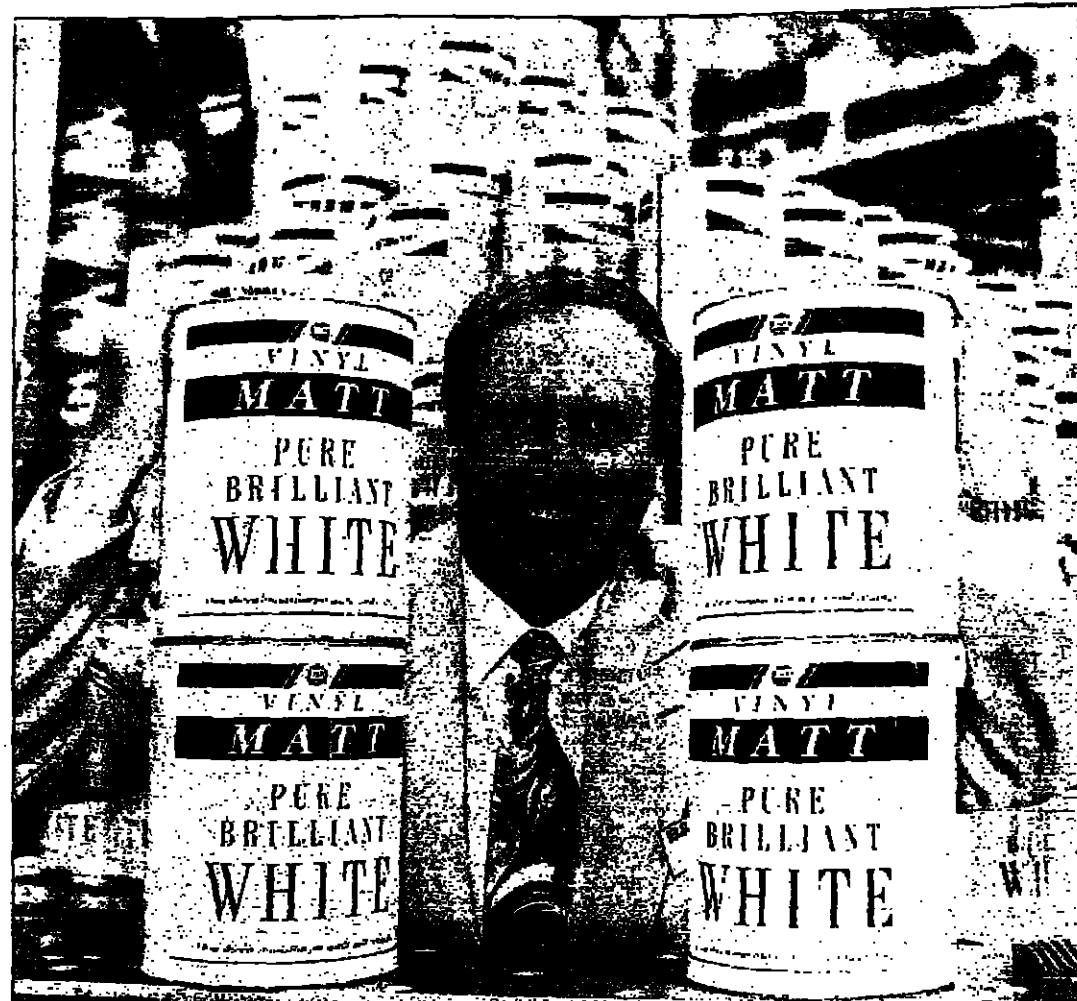
The Sears dictum, he adds, will be "to buy what we sell, not just to sell what we buy."

But it is in groceries that EDI is really taking over. MD Foods, a Danish co-operative, processes almost three-quarters of its domestic orders electronically and is extending the network to the UK, as well as targeting other European countries.

The co-operative produces 70,000 tonnes of butter a year and more than 200,000 tonnes of cheese. Half the world's supply of feta cheese comes from the MD farmers. Its best known brand in Britain is Lurpak.

MD already works electronically with Tesco Stores on orders and invoices. Another big supermarket chain now orders electronically from the co-operative and a third is to start soon.

According to Aksel Poulsen, MD's sales operations manager, "going electronic outside Denmark has moved furthest in the UK, which is the most developed market for EDI in Europe."



"If you do not have the goods on the shelf, you do not sell them," says Des Lee of B & Q

Keying in the best security

When organisations start to trade electronically, they are often worried about what will happen if a message is sent ordering 500 widgets, and they receive 50,000 widgets.

Such legal and security concerns can seem an obstacle to the growth of electronic trading in Europe. However, these worries are usually based on a lack of understanding by company decision-makers of the nature of the technology.

There is, for example, an expectation of guarantees from technology that did not previously exist and were not even demanded from paper-based communications.

EDI security should be built on three separate levels: techniques to protect the information when in the network, procedures to restrict the use of a network and

The Law of Property Act 1925 states that a legal assignment of a debt has to be signed. This can create problems for the use of EDI in the factoring industry.

One of the most secure ways to ensure message authentication, as well as protecting the confidentiality of the message contents, is the use of cryptographic techniques.

This involves transforming plain text, using a complex algorithm, into "cipher" text. The success of this technique depends on two factors: the algorithm must be too complex to be able to discover by random computational techniques except over an unreasonably long period of time; and the encryption key, which transforms the data into cipher text, must be protected from unauthorised use. "Public key encryption" is seen as having particular applications

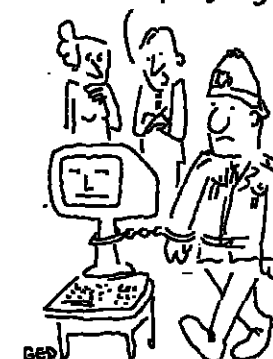
as a way to achieve digital signatures that cannot subsequently be repudiated by the sender. This technique uses a matching pair of cryptographic keys, one for encryption, the other for decryption. The decryption key is kept secret, while the other is made available to those with whom you want to communicate. The mathematical nature of the algorithm prevents the private key from being discovered from the public key.

The general use and status of electronic signatures has yet to be explicitly accepted by English courts. However, case law has in the past been prepared to accept a wide range of different forms of authentication.

The implementation of audit procedures should also play a critical role in ensuring technical and legal security. For example, audit procedures enable compliance monitoring of statutory regulations, such as the Data Protection Act 1984, as well as contractual obligations.

IAN WALDEN
The author is a solicitor with the Tarto Lyons information technology unit.

Has been arrested for forgery



available to those with whom you want to communicate. The mathematical nature of the algorithm prevents the private key from being discovered from the public key.

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The means of authentication may also have to satisfy statutory or regulatory requirements as to what constitutes a "signature", even when it is made electronically.

There are better ways to cut out paper.

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Electronic banking beckons

Martin Whybrow predicts an increase in customer demand for automatic payment

The banking sector has been slower than most to embrace the idea of electronic trading or electronic data interchange (EDI). While others forged ahead, the banks stood back.

That is now changing, with banks actively marketing their EDI services and viewing them as a way to attract corporate business.

And about time too, a reasonable customer might respond. Ideally, customers would like to "close the loop" by automating the entire payment process. Although very few are doing this at present, banks are finally addressing the electronic needs of their customers, and this means that the necessary EDI infrastructure is starting to take shape.

There are several reasons for the banks' sluggishness, not all of which are the banks' own fault. For one thing, the payment is the final stage of any trade cycle, and companies have had their hands full establishing links to their suppliers.

For another thing, making payments and sending remittance advice electronically is not especially easy. From the bank's point of view, connections have to be made to all sorts of customers in all sorts of industries. Unlike links with suppliers, banking EDI is not a closed community within a specific industry.

From the customer's point of view, automating the payments process can require tricky and lengthy changes to perhaps antiquated accounts systems. In addition, legal and security issues arise when it comes to using EDI to transfer money. For example, who bears the risk if a message is lost or changed? And is computer output acceptable as evidence in court?

Nevertheless, the main reason for the banks' reluctance to become involved in EDI is that they have difficulty in justifying the cost of the investment.

The benefits may be clear cut from the customer's point of view — better cash management and improved efficiency in company payments divisions — but what is in it for the banks?

As a result, the initial impetus came very much from the customers. And those who started to demand EDI payment services from their banks were primarily large corporations, so the banks had no alternative but to listen.

As the first EDI links between customers and banks were put in place, the banks suddenly found that they had reason enough to invest in the field. For failure to offer electronic payment might mean lucrative business passing to a competitor.

So EDI payment became a competitive weapon, and prompted by fears that customers might bypass them altogether, the banks slowly began to offer more services.

National Westminster Bank lists customers as diverse as the Sheffield Health Authority, Spar and Gillette, as users of its EDI service.

Tim Earles, senior product manager at Barclays, says: "At present, all banks are stating that they are doing much the same thing. In future, when we can give a fuller service, we will be able to say to the market, take on board our services whether or not you bank with Barclays."

At present, most of the EDI connections go merely from customer to bank and no further. The EDI loop will be complete only when the whole of the payment message passing to the customer's bank, but also to the supplier's bank. The supplier's account is then automatically credited, and the supplier is advised accordingly.

One or two banks have established links between themselves for swapping EDI messages, but this is still very



Tim Earles of Barclays: the future lies with EDI

limited. A concerted effort for interbank EDI is only now under way. The Society for Worldwide Interbank Financial Telecommunication (Swift) is the Brussels-based service company of the international banking community, set up some 15 years ago to provide interbank telecommunications. Around 25 banks are now linked in an interbank pilot system.

However, volumes of communication remain relatively low at present. Where more than one bank is involved in the loop, two customers and two banks are involved in each transaction, which means four computers and four business organisations must be adapted, says John Chavez of Swift. Furthermore, different countries have different payment formats.

But Swift's is not the only interbank initiative. In a rare example of co-operation, the four big UK clearing and

the Royal Bank of Scotland have set up the Interbank Data Exchange (IDX) for exchanging payment messages. A pilot scheme ended in June this year, and other banks may now join. However, the volume of business remains low.

The benefits of EDI for corporate customers are currently the subject of a study being funded jointly by the IDB banks and the Department of Trade and Industry. This should be published in the spring, and reflects recognition of EDI by both the banking sector and government.

EDI is here to stay. "All large corporations we have spoken to are engaged with it," says Mr Earles. "If your competitor has EDI and you haven't, look out." And the same can now be said of the banks, and those that do not address the EDI needs of their customers may soon be losing business.

Car makers set the pace for EDI drive

Unlike some sectors, British manufacturers are still not using electronic trading to its full potential. Yet, as the single European market approaches, they are ahead of their Continental competitors in the use of EDI systems.

Sorry, for example, uses electronic trading to order components from its UK suppliers for the one and a half million televisions sets it makes here annually. The electronics giant, which takes about 750 different components from a dozen suppliers, estimates that EDI has cut delivery times by up to two-thirds since its introduction last year.

Colin Billinge, the marketing director of INS, a company that runs the Tradanet network, says that the adoption of EDI by manufacturers has been patchy at best. "The strongest area of EDI is in the retail sector," he says.

"The motor industry could legitimately say that it was one of the first users of EDI because of its 'just in time' production philosophy, and EDI has also taken off in the electronics industry, where a lot of components come from overseas countries."

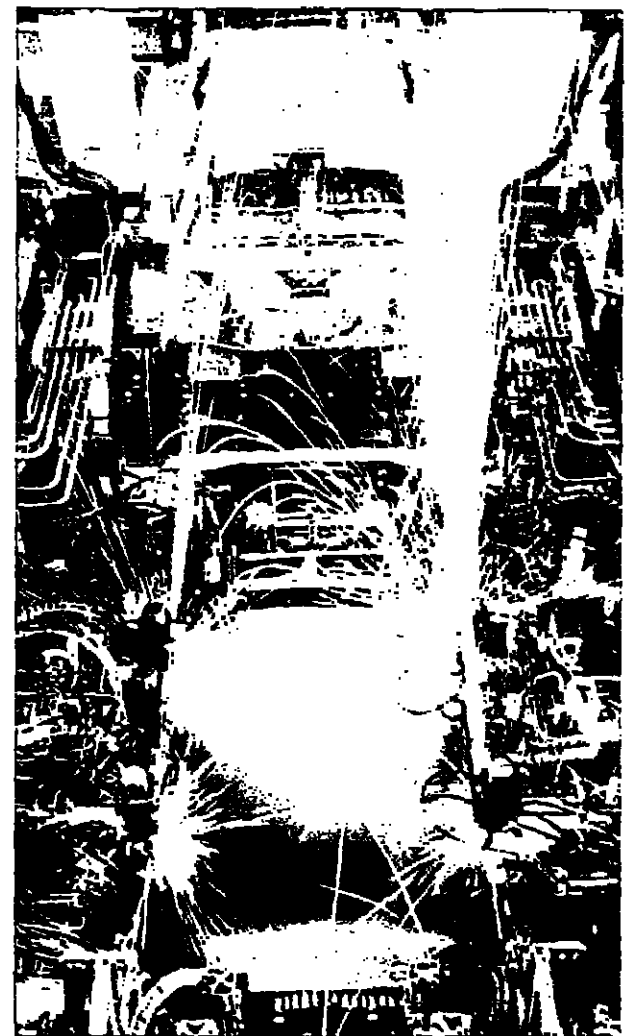
Jenny Proctor, EDI marketing manager for AT&T, one of the half a dozen companies that run EDI networks in Britain, says that one of the problems is the incompatibility between the different networks and a lack of agreed standards.

Black & Decker, for example, uses the AT&T network for communicating with its component suppliers but uses the INS network for its retailers.

Miss Proctor says: "It is not unusual to find companies trading on as many as five different networks. It is up to the network suppliers themselves to supply the links between the systems."

NCR manufactures automated telling machines for banks and building societies and in 1991 introduced electronic trading for its biggest suppliers.

Ron Dickinson, NCR's specialist in manufacturing systems at its Dundee factory,



Car production: first with robotics and EDI

says that the company has skipped the more common stages of electronic trading, order and invoice transmission, and put EDI at the heart of the production process. NCR uses the system to give suppliers forecasts of its needs, based on a materials requirements planning system.

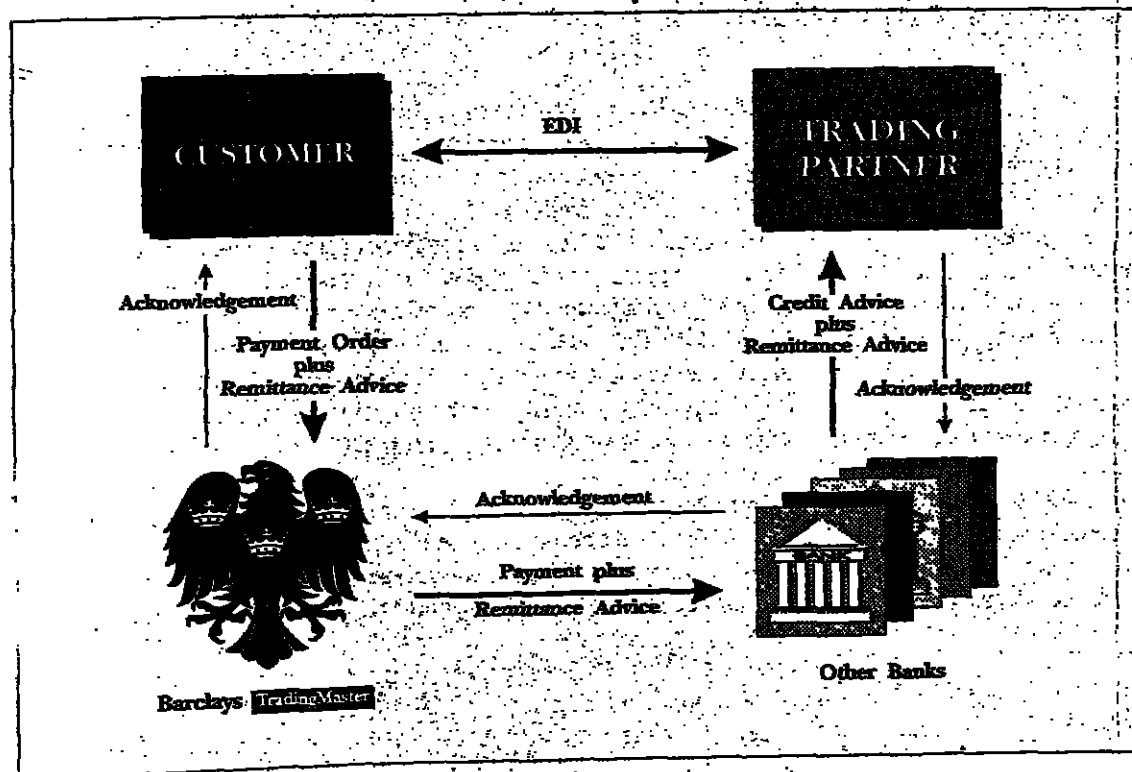
Data is transmitted electronically to a supplier with a unique bar code reference number, which the supplier prints out and uses to label the parts container. Then it can be automatically identified and assigned to the correct production line for assembly.

One of the reasons NCR is using electronic trading in this way is that for the pattern of ATM, production has changed over the past few years. Customers increasingly require a machine customised to their requirements, which means that batch production of standard machines is no longer possible.

There are still many problems to be sorted out before EDI is fully adopted on the factory floor. Until they are, the likelihood of electronic trading penetrating further into the manufacturing sector, even if it does improve efficiency, is limited.

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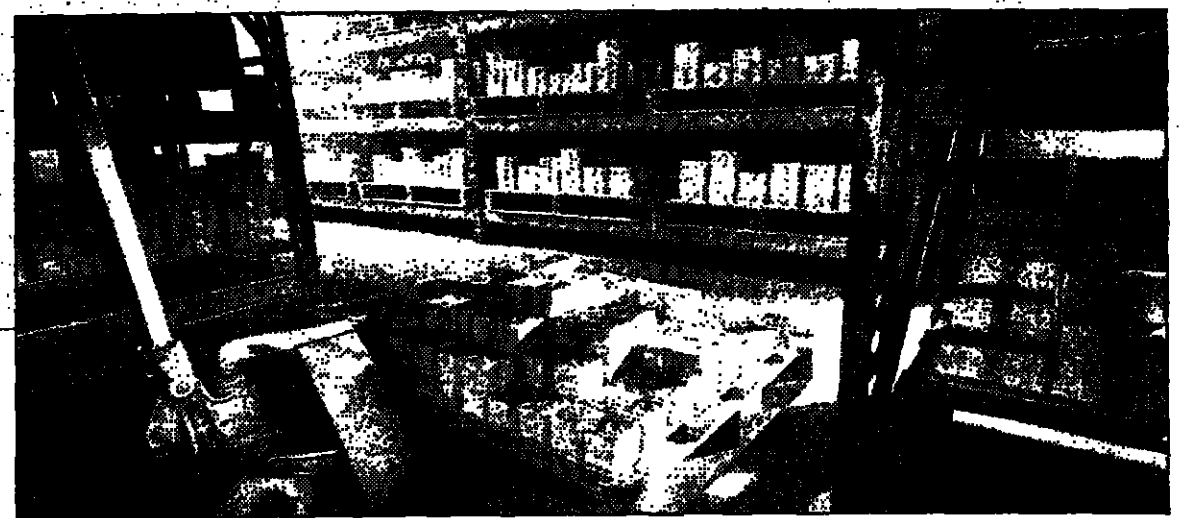
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For more information on Barclays TradingMaster, contact Tim Earles at Barclays EDI Department on 0203 532642.



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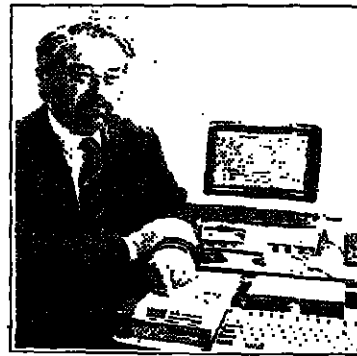
Going electronic: clearance of goods through European Community customs should be easier

Karl Uggerholt with a Braun shaver: improved repair service

KEN COTTRILL

The diagram illustrates the NatWest BankLine Interchange system. It features three main entities: a **CUSTOMER** (top left), a **SUPPLIER** (bottom left), and a central **NatWest BankLine Interchange** box. To the right of the central box are two additional nodes: **CUSTOMER'S BRANCH** (top right) and **SUPPLIER'S BRANCH (OR BANK)** (bottom right). The flow of information is as follows:

- Customer to Supplier:**
 - 1. ORDER ADVISE
 - 2. INVOICE STATEMENT
- Supplier to Customer:**
 - 3. INVOICE
 - 4. PAYMENT ORDER & REMITTANCE ADVISE
 - 5. CREDIT ADVISE & REMITTANCE ADVISE
- Customer to NatWest:**
 - 6. DEBIT ADVISE
 - 7. ACCOUNT ENTRY ADVISE
- NatWest to Customer's Branch:**
 - 8. DEBIT ENTRY
- Supplier to NatWest:**
 - 9. CREDIT ENTRY
- NatWest to Supplier's Branch:**
 - 10. ACCOUNT ENTRY ADVISE



If you would like further information on BankLink Interchange please contact the co-ordinator, Richard Boniface, Electronic Banking Services, National Westminster Bank, 6th Fl, Finsbury Court, 104/117 Finsbury Pavement, London EC2A 1BB, or telephone 071

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EDI, Minister

In a few years' time, examination results will not be posted by examining boards and schools, but will be transmitted electronically. Students will get their results a day or two sooner, and there are likely to be fewer mistakes.

The project is being worked on by the education department, which is probably more advanced in its use of EDI and electronic messaging than any other ministry.

The first use of EDI for education was the transmission of teachers' records from education authorities to the ministry using Dialnet, a network dedicated to education.

By July, all 117 education authorities had been linked in, and already errors in the records have been cut. Interactive enquiries on teachers' pensions and the collection of school census data are the next tasks. There is also a project for collecting electronically the statistics necessary to comply with the Parents' Charter.

Peter Gott, the head of development at the ministry's information technology department, says that if the number of grant-maintained schools jumps from the present 250 to, say, 2,500, the collection of statistics would become impossible using manual methods.

What the ministry is doing is very different from the normal commercial uses of EDI. The public sector is spawning a whole new area of what is known as administrative EDI, in which data is transmitted between government departments and between government and the private sector.

One administrative EDI project being looked at by the Home Office is a criminal justice network, aimed at getting everybody in a trial into the right court at the right time. Messages have to pass between the police, magistrates' courts, judges, lawyers, prisons and the prosecution and probation services.

The Home Office is also looking at the flow of traffic offence information between the police, insurance companies and the car registration office at Swansea.

At the central statistical office (CSO), Alan Hewer intends to use an Edifact message called Gesmes (General Statistical message). The CSO is also to use EDI to transmit data for retail price

Government bureaucracy could be transformed by electronic messaging, says Richard Sarson



Paperwork: exam results will soon be sent electronically

indices, production indices, trade figures and demographic data to the international statistical offices. Mr Hewer hopes to persuade industry to submit statistical data to the CSO directly to a computer screen, rather than by filling in a paper form.

Administrative EDI needs new standards, as present commercial ones are unsuitable. Internationally there was a danger that government departments in individual countries would invent their own messages, only to find that if they needed to exchange those

messages with their colleagues in other countries, the data would be in incompatible formats. To avoid this, two new development groups were set up this year to start work on international "administrative messages", one for health and one for social security. Until now there has been no EDI co-ordination in the public sector, but this year the government centre for information Systems (CCTA) is being particularly active in promoting EDI among the ministries. It is also involved in European EDI

projects, such as Sosenet. CCTA will produce an EDI handbook next year, and at EDI '92 it will introduce a special interest section for government in the EDI Association. An interest section for education has also been formed recently. This means that for the first time government as a whole is taking a part in the UK's "EDI establishment".

The public sector is moving on conventional EDI for ordering. The extra revenue makes this welcome to the network operators and software houses. After all, the defence ministry spends more than £10 billion a year, and similar amounts are involved in the procurement budgets of the National Health Service and the civil ministries.

The NHS has been trying for three years to persuade health authorities and hospitals to use EDI. The response has been patchy, but some health authorities, notably East Anglia and Sheffield, have some of the most advanced EDI systems in the country.

Meanwhile, two innovative initiatives are going strong. The department of finance and personnel in Northern Ireland is starting a pilot for a cataloguing system known as Choice, more advanced than any EDI application in the private sector. David Court, the project leader for the system, hopes it will be offered to small businesses, with the help of a European Community grant.

HMSO has 30 customers among government departments and regional health authorities linked into its Heart (HMSO Enquiry Access and Rapid Trading) cataloguing system and aims to have 100 customers by the end of the year. Similarly, it places orders with 40 suppliers electronically, while the CCTA is studying the use of electronic payment systems for all the ministries.

This has been a year when EDI has started penetrating the thinking of the public sector, but in terms of government promotion Britain has some way to go to match Holland, whose prime minister, Ruud Lubbers, is giving the main speech at the Dutch national EDI conference in November, or France, where EDI is driven by a civil servant in the cabinet office.

The public sector is spawning a whole new area of EDI



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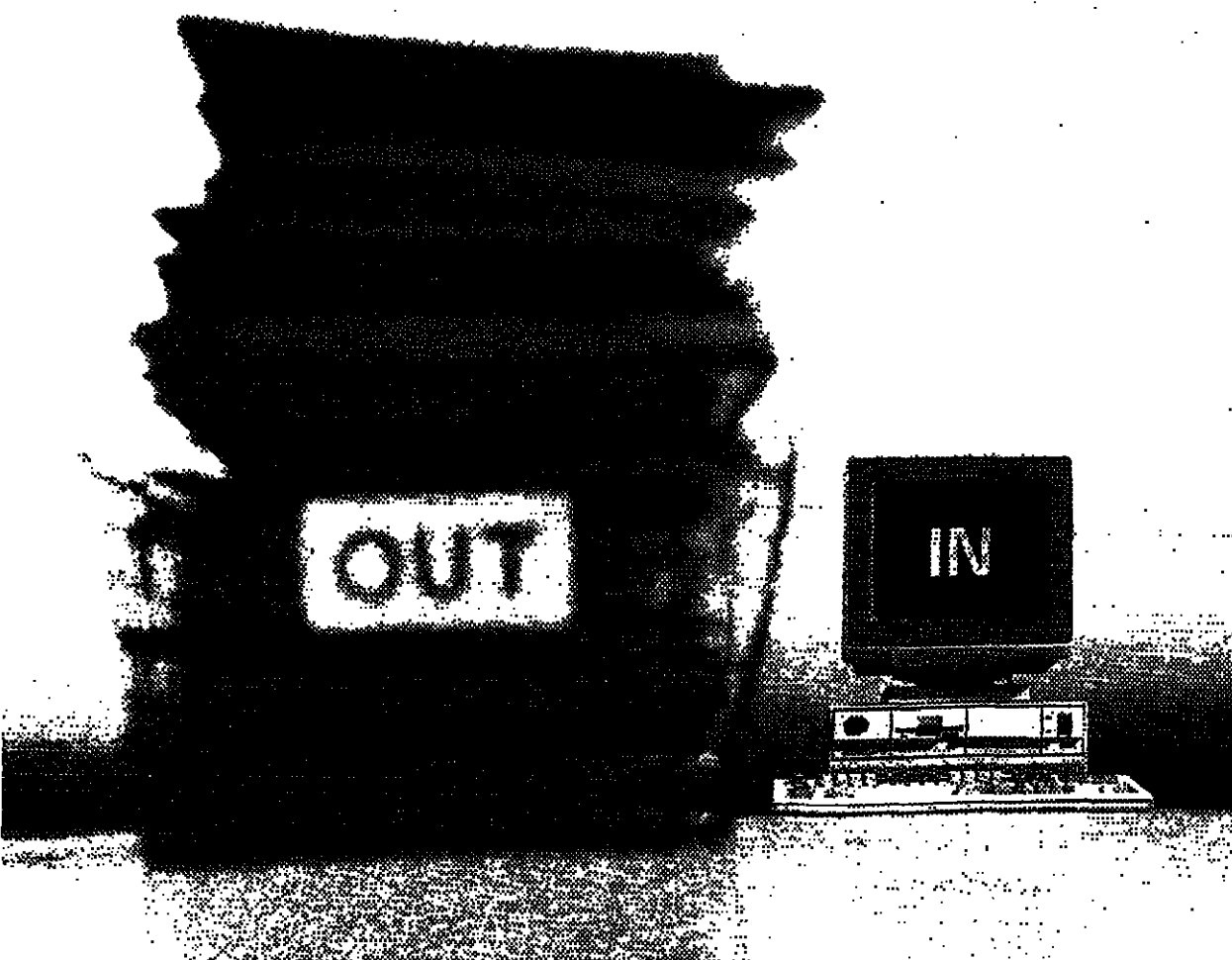
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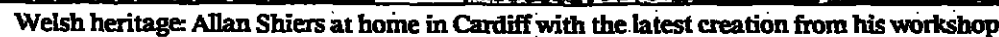
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EDITOR DEREK HARRIS

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Stricken Watson showing real improvement



Watson: fighting back

It will be a year this weekend since Michael Watson, the Islington super-middleweight, suffered a head injury in a world title contest with Chris Eubank and underwent brain surgery at St Bartholomew's hospital, London.

That night the boxing world was plunged into a cloud of despair which, despite the unwavering faith of Watson's mother, Joan, and guarded optimism of the surgeon, Peter Hamlyn, we thought would never leave us. But now the gloom is beginning to lift. Watson is in the neurological rehabilitation unit of Homerton hospital and is showing the first signs of real recovery.

Ever since he came out of a coma, 38 days after his first two emergency brain operations, Watson had given Hamlyn and his team encouraging signs — recognising faces and breathing without

the ventilator (October), watching video films (November), moving right hand and leg (January), showing an interest in the world around him (July).

It was three months ago, after his fourth operation — to remove the tubes in his brain, which were helping the flow of normal fluids, and to repair a defect that had been left by previous surgery — that he began to make the kind of progress everyone was praying for. Hamlyn said: "There has been quite a remarkable, surprising, recovery. He is speaking sentences rather than single words and moves limbs, both left and right arms and legs."

A couple of weeks ago, Watson surprised everyone by giving Reg Gutteridge, the TV commentator, an interview for *Boxing News* in which he joked about making a comeback.

"It's a miracle," Watson



SRIKUMAR SEN
Boxing Correspondent

told Gutteridge. "I'm here until next March but I'm going crazy. Why? Because I want to make a comeback and there's nobody out there who can beat me."

Watson talked slowly, pausing often to draw breath. "I keep watching the video of Rocky III and that makes me want to come back again. I've told Eubank to bring the belt he owes me. He says I'll keep my hands up. It was my own fault. I've watched the fight many times. He aimed a playful punch at Gutteridge. "Still quick, eh?" Watson said.

Gutteridge said: "There's still a very long way to go. Really he's not quite as lively as he seems in my piece. He's improving all right, but he talks slowly. For instance he says things like 'Hang on, I've lost my way a bit'. It took me two days to get all that out of him."

"He's not giving interviews. He is not ready to give individual interviews or talk to television but he's made really good progress from what he was like two or three months ago. His mother brings him his favourite food every day. 'I do like my grub,' he said. You can see the old Michael Watson now."

of the two Eubank-Watson bouts, said: "He's completely aware of what's going on. He has total recall, remembers everything about the fight. Knows we are collecting money for him, everything. I am cautiously optimistic."

Watson, who earned around £200,000 from his last two contests, should be financially secure when he comes out of hospital. Thanks to Hearn, who organised a charity show at Grosvenor House, Watson's friends and admirers raised £150,000, which could reach £200,000 by the time he comes home. The British Boxing Board of Control is planning a special celebrity event next spring.

John Morris, secretary of the board, said: "It will be a major event. We are hoping that Michael will be able to join us. For the rest of his life Michael will be helped by the board with extra income."

It has been a traumatic year for Eubank as well, for an even crueler tragedy overtook him when he killed a man in a car accident while driving to Gatwick airport.

Watson's mother forgave him when he went to visit the stricken boxer three days after the fight. "It's not your fault," Mrs Watson told Eubank. "It could be you in there." But Eubank said: "It will be all right when Michael is all right." Months later Eubank said: "That September night will haunt me for the rest of my life."

Recently he unbundled himself in *The Sun*. "Watson is the real champion. He's a better man than me — by far the better man. He outboxed me, he had more skill, he outboxed me, outmanoeuvred me. He won the fight." Eubank has not been able to find his old form in any of his three subsequent defences.

Of all the boxing accidents in Britain, Watson's case attracted the most publicity, possibly because of the hype and bad feeling that preceded his bouts with Eubank and the fact that Watson was on the point of winning the second encounter when he was knocked down by an uppercut from Eubank, who had just got up off the floor in the eleventh round. It caused the government at last to take action and initiate talks between boxing administrators and doctors.

It might be of some consolation to Watson to think that, as a result of this, his suffering may not have been in vain.

The suggestions made by Hamlyn for quick action, within the first hour after a boxer is seriously injured, were adopted by the board. It could prove to be the most important decision taken in the history of boxing.

ATHLETICS

Campbell's mother puts him on right track

FROM DAVID POWELL, ATHLETICS CORRESPONDENT IN SEOUL

DARREN Campbell, who never really wanted to be an athlete, will continue to find himself projected as Britain's follow-up to Linford Christie after taking the 100 metres silver medal at the world junior championships here yesterday.

"It's all down to mum," Campbell said. "She always liked track and field and I never liked it. I was wanting to play football and other sports." At 16 he gave in. Now he is 19 and it looks a good decision.

For Atto Boldon, of Trinidad and Tobago, the winner in 10.36sec, it was all down to a move from Trinidad. Before he went to the United States, he had not raced in a track meeting. "When I went back there this year for the Olympic trials, they had no idea who I was. I let them know who I was by running 20.40 for the 200," he said.

Boldon performed poorly at the Olympics but here he was the fastest qualifier in each of the three rounds. In the final his pick-up from a start which was slower than Campbell's put him in a dominant position from 30 metres. Campbell chased him home in 10.46, his strong finish seeing off those who were still with him at 70 metres.

Among them was Jason Ferguson, his team-mate, who finished fifth in 10.54. At the beginning of the season Ferguson was not among the best juniors in Britain; he had barely set foot off the track yesterday when he was approached by a man carrying a US scholarship offer.

The silver medal did not satisfy Campbell, who "came here with gold in mind". He has another chance in the 200 metres, beginning today, but his best time of 20.39 is slower than Boldon's.

Although Boldon lives in San José, he will not run for the United States. "The US is always going to have gold medal sprinters and Trinidad has not had one since 1976 (Haseley Crawford)," he said. Crawford, not Carl Lewis, is his inspiration. "I look at his tapes a lot."

Nicole Mitchell, of Jamaica, won the women's title and, like Boldon, dominated each round. Christie was Jamaica-born, Merlene Ottey, Jamaican No. 1, lives in Italy, and even the Jamaican bronze medal winner here, Merlene Fraser, is on a US scholarship, but Mitchell said that she would stay at home and try to be successful from there.

No British women's sprint relay team was taken to Barcelona. "Our sprinting is looking up," Donna Hoggarth said after she and Katherine Merry reached the final. That neither was happy with her position — Merry sixth, Hoggarth seventh — spoke well for their ambition.

Merry's long legs take a while to get going, and she is more suited to the 200 metres, which begins today. A medal is not too much to hope for.

For all the years she has been around (she was a junior international at 13), Merry remains among the younger team members. The youngest is Guy Bullock, 16, who broke 47sec for the first time to reach today's 400 metres final with 46.74sec. Deon Minor, of the United States, should win but could pick up a medal.

Neil Owen, a personal bests in both rounds of the 110 metres hurdles, yesterday, 14.19 then 14.12, to reach today's final as the second fastest qualifier.

Results, page 35



Looking for the wind: Christine Spreiter, Britain's top-ranked professional female windsurfer, was one of 72 competitors left on the beach at Brighton yesterday when winds failed to perform for the second day running at the British TBA windsurfing World Cup (Barry Pickhall writes). Spreiter, 28, ranked ninth in the

world of slalom racing, hails from Scotland but now lives close to the surf on Hawaii. She is one of 14 women competing in the British event, which has a purse of \$50,000.

British hopes of victory in the men's division lie with Nik Baker, 21, from Shoreham, who has risen rapidly to

achieve a world-ranking of tenth. After a day of frustrating calms on Wednesday, the wind picked up to 25 knots yesterday afternoon but proved too shifty for a course to be set. Today's forecast promises steadier force five winds, which should continue through to the end of the competition on Sunday.

CYCLING

Kelly takes on Roche

IRELAND'S home tour, the 525-mile Nissan Classic which starts in Dublin on Wednesday, has attracted much of the cream of European professional cycling yet

can finish up as a domestic five-day battle between Sean Kelly and Stephen Roche (Peter Bryan writes).

Kelly, the race winner on four occasions since it started in 1985, has not shown the

form in recent months that won him the year's opening classic, the Milan-San Remo, in March.

Roche, world champion in 1989 and also winner of the tours of France and Italy that year, has never won the Nissan. For two years he has been plagued by injury but was strong enough to take a stage in the Tour de France this season.

Hopes high at Glenalmond despite defeats

THE former Scotland rugby union captain, David Sole, pulled on a jersey again when he turned out for the old boys in a match against Glenalmond College in Perth.

Unlike his international career, which ended with defeat in Cardiff last March, his return gave him reason to celebrate, as the old boys won

25-12. Sole was accompanied by his Edinburgh Academicals team-mate, Rod Mitchell.

It was the second game of the season for the school, which lost its first outing 53-0 to Durham, but the mood is not all gloom and doom. Tony Hill, the head of PE, said: "We have only been back for a few days and have six colours remaining from last season."

The pack looks strong and mobile and we will be working on fitness levels. This will be the key to our season."

Glenalmond are led by Duncan Robertson, from scrum half, and have Neil Campbell, a player of huge potential who has played for Scotland Under-15s, at flanker.

Fettes College, in Edin-

burgh, could be hampered by a lack of size and pace, but the prospect of a half-term tour to Hong Kong will boost team morale. Last season Fettes toured in Ulster, Robin Lang, a prop, leads the side, but there are few survivors from last season and the school kicks off its programme against Hutchison Grammar School, from Glasgow.

"The great beauty of this season is that we have such a heavy programme of demanding international rugby before Christmas. I can watch Wales and Ireland, and the Barbarians, play Australia, without detriment to my England role," he said.

Rees cleared, page 5

RACING RESULTS

Ayr

Going: soft

2.00 (m) 1. TOLEDO QUEEN (D Holland, 4-1), 2. Bay, Private Handicap (100 ratings), 3. Don't Jump (P Robinson, 2-1), 4. Gypsy (J Carroll, 3-1), 5. ALSO RAN: 7-2 Quinlan (D Holland, 5-1), 6. Bay, 7-2 Quinlan (D Holland, 5-1), 7. Bay, 8-11 Quinlan (D Holland, 5-1), 9. 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Premier League addresses divisions

Clubs give mandate to Parry to bring rebels into the fold

By DENNIS SIGNY

RICK Parry, chief executive of the Premier League, has been given a mandate to bring harmony among the 22 club chairmen. After a three-hour meeting of 14 of the 22 clubs in London yesterday, called by Terry Venables, the Tottenham Hotspur chief executive and co-owner, a statement was issued regretting the need for a meeting.

The statement added: "The clubs look to the executive to resolve the present situation. The clubs totally support the executive in such actions as they deem necessary and remain totally committed to the principles upon which the league was established."

Parry, chairman of the meeting, which was called after Ron Noades, the Crystal Palace chairman, said a walk-

out after eight clubs had blocked a £13 million sponsorship deal with Bass the brewers, will try to act as peacemaker.

The 14 clubs were incensed when Queens Park Rangers joined the so-called "Platinum Seven" Arsenal, Liverpool, Manchester United, Everton, Leeds United, Aston Villa and Nottingham Forest to block the title sponsorship in the name of Carling Black Label.

The background to yesterday's meeting was that the eight clubs have signed a separate deal worth £3.6 million for perimeter advertising while the Bass sponsorship has now been withdrawn and, according to Parry, is unlikely to return for this season. The 14 clubs feel that the eight have joined together to disad-

vantage the majority and act against the principles of the Premier League.

While angry words have been spoken by the opposing factions, and High Court confrontation is possible, Parry's task is to remove the divisions and effect a voting system with at least 17 of the clubs on the same wavelength. The next meeting is likely to involve representatives of the 14 clubs and the eight.

Meanwhile, Tottenham announced a £2.6 million profit for last year — excluding £5.5 million from the summer sale of Paul Gascoigne.

While Spurs struggle on the pitch, there has been improvement off it with the club now back in the black only 18 months after it was teetering on the brink with reported debts of up to £20 million.

Since the takeover by Alan Sugar, of Amstrad computers, and Venables last year, the club's fortunes have improved drastically.

They cut debts to £1.78 million last year and are now showing a £2.65 million profit.

Sugar said today that Gascoigne's transfer to the Italian club, Lazio, will boost results for the present financial year, as he unveiled the latest figures.

Spurs have bought new players since selling Gascoigne, Gary Lineker and Paul Stewart. Teddy Sheringham was signed for £2.1m last month and Portsmouth's Darren Anderton cost £1.7 million.

But the club has made a poor start to the season and languishes near the bottom of the table. Sugar appealed for time to let the players settle in. "Under the leadership of Terry Venables, we feel the team has tremendous potential," he said.

Healthy scoring only to be expected

MUD baths and massage are the stock-in-trade of the spa area around Frassanelle, where Laura Davies purred to the front in the BMW Italian women's Open yesterday with a first round of 66, six under par.

At present, Davies and her game are in no need of cures for she bettered par for the twelfth time in a row and moved to 74 under par for the 28 rounds she has played in Europe this season.

La Davies dropped two shots, at the 3rd and 18th, but eight birdies, four in each half, more than compensated. Jane Hill of Zimbabwe, is in second place, on five under, with Laurette Maritz of South Africa, and Karine Espinasse, of France, a shot further back.

Hill, whose father-in-law Jimmy is now nearly as well known for exposing his feet as for airing his opinions, reckoned a foot massage was at the base of her success. "Every time I have one I play well," she claimed.

The massage expert this week is Natasha Maritz, who also worked her magic on her sister and on Espinasse, who came home in 32, four under par.

The highlight of Hill's round was an eagle two at the third, where she holed "a lazy eight-iron" from 111 yards, the first time she has ever sunk a full shot, she said.

She has never had a hole-in-one either but at the 15th that looked like changing as another little eight-iron covered the stick all the way. Hill started kissing the club in gratitude — a BMW 850, valued at £63,000, is on offer at the 138-yard hole, the shortest on the course — but the ball ended ten feet away and Hill had to settle for a birdie two.

Corinne Dibnah, the defending champion, came even closer with a wedge that looked in all the way but finished five feet behind the hole. Instead, she had her fourth successive birdie in a round of 69.

Scotland's Pam Wright, playing in her first European tournament of the season, had a less happy time. She struggled to a 78 but remained philosophical and reiterated her decision to play in the Weetabix women's British Open at Woburn next week, despite not having an exemption from the US tour, which means a fine of \$10,000. "I'm looking at it as a mighty big entry fee," she said.

LEADS FIRST-ROUND SCORES (GB and Ireland unless stated): 66: Laura Davies (AUS); 67: J Hill (AUS); 68: K Espinasse (F); 69: Corinne Dibnah (W); 70: J Hill (AUS); 71: J Hill (AUS); 72: J Hill (AUS); 73: J Hill (AUS); 74: J Hill (AUS); 75: J Hill (AUS); 76: J Hill (AUS); 77: J Hill (AUS); 78: J Hill (AUS); 79: J Hill (AUS); 80: J Hill (AUS); 81: J Hill (AUS); 82: J Hill (AUS); 83: J Hill (AUS); 84: J Hill (AUS); 85: J Hill (AUS); 86: J Hill (AUS); 87: J Hill (AUS); 88: J Hill (AUS); 89: J Hill (AUS); 90: J Hill (AUS); 91: J Hill (AUS); 92: J Hill (AUS); 93: J Hill (AUS); 94: J Hill (AUS); 95: J Hill (AUS); 96: J Hill (AUS); 97: J Hill (AUS); 98: J Hill (AUS); 99: J Hill (AUS); 100: J Hill (AUS); 101: J Hill (AUS); 102: J Hill (AUS); 103: J Hill (AUS); 104: J Hill (AUS); 105: J Hill (AUS); 106: J Hill (AUS); 107: J Hill (AUS); 108: J Hill (AUS); 109: J Hill (AUS); 110: J Hill (AUS); 111: J Hill (AUS); 112: J Hill (AUS); 113: J Hill (AUS); 114: J Hill (AUS); 115: J Hill (AUS); 116: J Hill (AUS); 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Leeds buckle under their domestic burden

THE defeat of Leeds United in the European Cup stands as yet another damning indictment of the domestic system. The champions were undone not by technical inferiority, the common cause of English embarrassment on the continent, but by a lack of time in which to prepare.

The odds were stacked against them once BSKYB had thoughtlessly chosen to cover live their Premier League fixture against Aston Villa last weekend. Instead of playing on Saturday, resting on Sunday, training on Monday, and travelling to Stuttgart on Tuesday, Leeds had to reorganise their schedule.

The root of the problem, though, lies much deeper

than television interference and, after arriving home in the early hours of yesterday morning, the Leeds manager dug it up. "Our system guarantees that we practise mistakes," Howard Wilkinson said, "because all we do is play and play and play."

Within the most demanding programme in the world, there is no time to work diligently on the appropriate tactics and formations re-

quired to counteract refined foreign opposition. Muscular power and stamina, the traditional characteristics for which English teams were feared, are no longer the sufficiently overpowering assets they once were.

Wilkinson, convinced that Leeds' usual approach would be inadequate against the champions of Germany, chose to redesign his line-up. Using Batty at right back, a move employed by the England manager during the European championship tie against Sweden three months ago, he assigned defenders to mark man-for-man.

For more than an hour, his decision was vindicated but, as he said, "the last lesson you learn is the first thing you forget". Once Leeds had conceded one goal, they ignored the instructions which had so expediently been given to them and almost certainly yielded their place in the competition.

Instead of settling for a narrow deficit which they could have expected to over-



STUART JONES

Football Correspondent

turn in the second leg, Leeds naively rushed headlong towards elimination. "We lost all the good habits we'd just acquired," Wilkinson said. "Suddenly, we were chasing a goal when there was no need to."

There can be no certainty that Leeds, some of whose players were competing in their tenth game in 32 days, would not ultimately have gone down 3-0 if their fixture list was less crowded. Yet the

chances are that they would still be in more realistic contention against VfB Stuttgart.

Manchester United, held to a goalless draw by Torpedo Moscow in the UEFA Cup, have an additional difficulty. Because they have a surplus of players regarded as foreigners, Alex Ferguson, their manager, has to alter not only his ideas but his personnel.

Wilkinson, like Ferguson and Graham Taylor, is hand-

capped by a system which discourages considerable and inventive management as well as fresh and flexible play. It endangers not only England's aspirations of qualifying for the next World Cup finals, but also Leeds' hopes of successfully defending the title.

The loss of Cantona, who pulled a hamstring on Wednesday night and could be out for more than a month, reduces still further the dimensions of an attack already without Wallace. The likely absence of Dorigo, if only temporarily, will weaken still further a defence which has let in ten goals in the last five games.

Moreover, the exit door from Europe invariably leads

to a slump in form at home. Unless Leeds achieve the improbable against Stuttgart in a fortnight, no crystal ball would be needed to foresee them pursuing the same downward path trodden a year ago by Arsenal.

Once Benfica had punctured the belief of the champions, they won only two of 13 games during the next three months, a sequence which effectively put them out of the running. Wilkinson admits that Leeds now face a similarly stiff test of character as well as physical endurance.

Less than 60 hours after completing the return journey from Germany, they are to step back on to the grinding treadmill against Southampton at The Dell.

Next week, they are scheduled to be visited first by Scunthorpe United, for a distracting Coca-Cola Cup tie, and then by a resurgent Everton, before having to re-apply themselves to the foreign demands of the European Cup. No wonder Johann Cruyff joined the list of respected observers who believe that England can no longer win the tournament if once dominated.

Leeds had the misfortune to be drawn initially against one of the stronger entries, but they promise to equal a record set long ago. Not since 1968, when Manchester City were removed by the Turks of Fenerbahce, have the domestic champions fallen in the opening round.

Denmark international completes move

Souness signs Piechnik to bolster defence

By IAN ROSS

GRAEME Souness's determination to ensure that Liverpool's transition period is kept as short as possible was again underlined yesterday when Torben Piechnik, a key figure in Denmark's unexpected European championship success in Sweden this summer, completed the formalities of a hastily arranged move from FC Copenhagen.

Prompted by his club's poorest start to a season in more than 20 years, Souness agreed to pay £500,000 for a defender who is widely acknowledged as one of the most accomplished in European football.

Souness's decision to strengthen his erratic defence was taken last month after his side had conceded late equalising goals in games away to Ipswich Town and Leeds United. Liverpool lie fifteenth in the Premier League, having won just two

of their opening eight fixtures. So determined was Souness to bring to Anfield a central defender of proven ability to partner Mark Wright, the England international, that he sanctioned the sale of Dean Saunders to Aston Villa for £2.3 million to help raise the necessary funds.

Yesterday, after Piechnik had passed a medical and agreed personal terms, Souness said that he had attempted to recruit a player of similar stature from within the British game, but had been "frightened off" by the inflated transfer fees demanded.

"Liverpool is obviously a very big club but even we have been frightened by some of the prices which have been quoted," Souness said. "We do seem to have a situation where players who have done very little in the game are being sold at inflated prices."

The arrival of Piechnik may herald another change in Liverpool's defensive strategy. "Torben is accustomed to playing within the so-called 'super-system', that is to say a defence which includes two markers and a deep-lying defender," Souness said. "He has been playing as a marker in this system, and while I am a fan of it, we shall have to see how things work out here."

"He is an experienced player who will, I am sure, be able to adapt if need be."

Piechnik will make his debut tomorrow against Aston Villa at Villa Park, where he will almost certainly find himself in direct opposition to Saunders. Piechnik said he was delighted to be joining Liverpool. "I did not learn of their interest until late last week but once it became clear that they were keen on buying me my mind was made up," he said.

Piechnik was at Anfield on Wednesday for Liverpool's European Cup Winners' Cup first-round, first-leg tie against Apollon Limassol, of Cyprus, and must have been greatly encouraged by the performance of his new colleagues. Four goals by Ian Rush during the course of a comfortable 6-1 victory reduced the second leg in 12 days' time to a formality, and also moved the Welsh international forward to within two goals of becoming Liverpool's all-time leading scorer.

Rush has now scored 284 goals for Liverpool in 498 senior appearances, compared with Roger Hunt's record aggregate of 285 goals in 500 appearances.

Although Piechnik would be ineligible to play in the second round of the Cup Winners' Cup, he would be available were Liverpool to reach the quarter-finals. Phil Thompson, the former Liverpool captain, is taking the club to an industrial tribunal, alleging unfair dismissal. Thompson was dismissed from his job as reserve team coach in June.

League's mandate, page 35

Warhurst recovers

PAUL Warhurst, the Sheffield Wednesday defender, was said to be "out of danger" yesterday after the horrific collision that almost claimed his life during Wednesday's UEFA Cup meeting with Sparta Luxembourg at Hillsborough.

Warhurst, 22, was knocked unconscious in an accidental clash with the Sparta goalkeeper, Fernand Felten, and then swallowed his tongue when he had a fit while receiving treatment on the pitch.

Warhurst — who, ironically, scored his second and his side's seventh goal in their 8-1

win as the clash happened — was taken to Sheffield's Northern General hospital and detained overnight. Yesterday, after undergoing a brain scan, he was pronounced out of danger.

Trevor Francis, the Wednesday manager, who had pressed Warhurst into service as a forward for the game, said the player had been "pretty close to dying", and went on: "In a situation like that, players are helpless. That is when you depend on the professionals. It is very important to have good staff around."



"He used to forget our wedding anniversary. I never thought he'd forget my name."

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Alzheimer's Disease Society
Caring for Dementia



Postal vote: David Mellor, centre, standing, with Sally Gummell, Ian Hayden and Chris Boardman at the Royal Mail awards lunch in London yesterday

Top Olympians honoured

By JOHN GOODBODY

BRITISH sport yesterday acclaimed the successful Olympians in Barcelona in a lunch organised by the Royal Mail, the only corporate sponsor in Britain of both the Games and the Paralympics.

Chris Boardman, who won the individual pursuit cycling title, received the award for the best British performance at the Games from David Mellor, the secretary of state at the national heritage department. Mellor said that Boardman had modestly told him that he owned the cycling gold medal because of the people around him. They helped Chris to be right psychologically and physically on the day.

Boardman took the award ahead of Linford Christie because the panel of judges considered that the cyclist

had not only outclassed his rivals by becoming the first individual in a pursuit final to catch his opponent, but also set a world record. Boardman receives a training grant of £3,000, together with the trophy.

Christie was given a special award by Royal Mail and the women's award for the best female performance at the Games went to Sally Gummell, who finished first in the 400 metres hurdles. Gummell won the category from the three judo medal winners, Nicola Fairbrother, Kate Howey and Sharon Rendle.

In the Paralympics, the best British male performance went to Chris Holmes, who took six gold medals and three world records in the swimming events. Holmes, who is blind, trains four hours

a day with the City of Birmingham squad.

The judges were Jerry Cope of the Royal Mail, Neil Wilson of *The Daily Mail*, Duncan Goodhew, the former Olympic swimming champion, Simon Clegg of the British Olympic Association, and a vote from the British Paralympic Association. The awards were best men's performance, Chris Boardman; best female performance, Sally Gummell; best male performance at Paralympics, Chris Holmes; best female performance at Paralympics, Tanni Grey; best ambassador for British sport at the Olympic Games, Steve Redgrave; best ambassador for British sport at the Paralympics, David Moreton; special awards: Linford Christie and Ian Hayden (in the Paralympics).

Olazábal sees no reason to be cheerful

FROM MEL WEBB
IN VERSAILLES

CARD OF COURSE

Hole	Yds	Par	Hole	Yds	Par
1	456	4	10	364	4
2	399	4	11	417	4
3	207	3	12	189	3
4	425	4	13	393	4
5	375	4	14	467	4
6	491	4	15	437	4
7	153	3	16	509	5
8	509	5	17	422	4
9	393	4	18	579	5
Total: 3,245 yds in 2,111 ft					
Total: 3,245 yds in 2,111 ft					

FOR José María Olazábal, brilliance is obviously not enough. The 65 he produced to lead a high-quality field after the first round of the Lancôme Trophy at Saint-Nom-la-Bretèche yesterday would have kept some of his rivals happy for a month.

From the self-critical Olazábal it did not elicit so much as a smile.

Just listen to this. "I'm only playing about 50 per cent as well as I can. I'm not going for the flag like I used to; my confidence is just not there. I don't feel anything when I stand over the ball." Does that sound like a man who has just had his third competitive round of 65 on the trot?

The library of complaints did not end there. "I missed a lot of shots left and right. Here you need to be on the fairway to have any control, and I'm not sure I can do it this week. I don't think I can keep up this scoring." Oh, the misery of it.

A little while later, Nick Faldo, who had had a level-par 70, was told of his Ryder Cup colleague's doleful utterances.

Faldo smiled indulgently, like you might when told of the words of a young and slightly dotty nephew. "He's young and fussy," he said. "When he's ten years older he'll take it and run."

If only Olazábal, who leads by a shot from Vicente Fernandez, Ian Woosnam, Eduardo Romero, Barry Lane and Jose Carriles, had been there to hear the words of wisdom from Uncle Nick. Because to the half-practised eye, it was difficult to see much wrong with a round that if it should be repeated in the next three days will put him firmly in the frame come Sunday afternoon.

He had his first birdie from 15 feet on the 4th, dropped a shot on the 6th but claimed

the stroke back on the 8th with a sand wedge to no more than an inch. Another three on the 10th was followed at the next by a 27-foot putt for his fourth birdie.

He bogeyed the 13th, but handsomely redeemed himself at the 509-yard 16th, one of only two par fives on the course. A long drive was followed by a three-wood to six feet and a single putt for an eagle three; he made it look deceptively easy.

Thus inspired — or perhaps not — he holed a 50-foot putt on the slippery 17th green for his closing birdie. It was a performance for the connoisseur to savour. For this man it was not so much champagne, more a glass of flat brown ale.

Be that as it may, the gloomy Olazábal will surely still be a factor in the battle for the £79,000 first prize. So, if form and class have anything to do with it, will Faldo and Woosnam.

The Welshman, whose protracted putting problems continue, was happy with his 66, which was based on a brilliant spell of four birdies in the opening six holes. Turning in 31, he parred every hole coming home and then spoke of his own mental processes in the recent past.

"My trouble has been that I've been trying to hit every shot like frozen rope — straight down the fairway, straight at the flag," he said. "Now I'm settling for what I've got." Try telling that to José María Olazábal.

Davies in front, page 9

SCORES FROM VERSAILLES

FIRST ROUND (British and Irish unless stated): 65: J-M Olazábal (Sp), 66: B Lane, E Romero (Arg), J-M Carriles (Sp), V Fernandez (Arg), I Woosnam, 67: M Feny (Fr), G Gallacher (Sp), M Foa, T Johnson (Zim), H Clark.
68: C Rocco (Ir), G Day (US), C Mason, S Luna (Sp), W Riley (Aus), S Richardson, B May (US), 69: G Brand, J S Torrance, J Payne, P Walton, P Senior (Aus), J Ryzom (Sp), M James, F Nobilo (NZ), 70: M-A Jimenez (Sp), J Van de Velde (Fr), J Sauer (Sp), R Davis (Aus), M Harwood (Aus), B Langer (Ger), N Faldo, C O'Connor Jr.

Knee injury forces Cowdrey to retire

CHRIS Cowdrey, the Glamorgan batsman and former England captain, is retiring from first-class cricket after 17 years in the game. Cowdrey, 34, who joined Kent in 1976 and led the side between 1985 and 1990, before being released last year, has suffered from a persistent knee injury.

He left Glamorgan by mutual consent earlier this summer. Cowdrey played six Tests including one against the West Indies in 1988 as captain.

In almost 300 first-class matches, he scored more than 12,000 runs with 21 centuries at an average of nearly 32. His right-arm seam bowling earned him 200 wickets at a shade under 40.

The Glamorgan secretary, Gwyn Stone, said: "He was

one of the nicest men you would ever wish to meet and it was a shame that he was unable to shake off his injuries."

Sussex, meanwhile, played down reports that they were ready to sign Eddie Hemmings, who has been released by Nottinghamshire.

The club secretary, Nigel Bett, said: "We would be silly if we didn't have a look at players who become available, but it is premature to say Hemmings is set to join us."

Colombo Sri Lanka agreed to join India and Pakistan in a joint bid to host the 1995 World Cup. The Board of Control of Cricket in Sri Lanka announced yesterday. South Africa and England have also said they will bid to host the tournament. (Reuters)

Saywell suspended for abusing horse

By JENNY MACARTHUR



Saywell: Munich success

MICHAEL Saywell, a member of the 1972 Great Britain Olympic show jumping team, has been suspended from the British Show Jumping Association for three years and fined £1,500 after abusing his horse, Sunblest, at the Bakewell Show on August 5.

A sharp-eyed BSJA steward at the show found strips of plastic with sharp protruding points — designed to make the horse pick his feet up higher over the jumps — stuck to the inside of Sunblest's fetlock boots.

The stewards of the BSJA, who have made a recommendation to the executive committee that Saywell be suspended beyond three years, found the Nottinghamshire-based rider guilty of contravening three rules: ill-treating a horse at a show, misuse of an

item of saddlery and behaviour prejudicial to the interests of the association.

Saywell said yesterday: "I didn't know... I didn't put the boots on Sunblest — I wasn't at the lorry. I told the stewards that. I think it's a bit hard."

Andrew Findling, the secretary general of the BSJA, said: "The maximum penalty imposed by the stewards reflects the association's abhorrence of such activity. It will not be tolerated at any time by any rider no matter what his public profile may be."

Saywell's heyday was in the 1970s. At Munich in 1972, riding Hideaway, he had the best British score in the team competition. His colleagues were David Broome, Harvey Smith and Anne Moore.

In 1976 he won the King

George V Gold Cup at Wembley on Chainbridge and two years later won the Dublin grand prix, again on Chainbridge. His son, Andrew, represents Britain in Athens next week and has three horses, including Sunblest, entered.

It is the first such incident since he took up office four years ago. The hard line taken by the BSJA follows the example of the Equestrian Federation of Ireland which last month suspended James Brizzell for five years after he was found guilty of using an astrigent under the bandages of his horse "at Hickstead. Brizzell's father, who owned and trained the horse, was suspended for life."

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